A Report
to the
Montana
Legislature

Financial Audit

State of Montana

For the Fiscal Year Ended June 30, 2020

February 2021

Legislative Audit Division

20-01A

Financial Audits

Financial audits are conducted by the Legislative Audit Division to determine if the financial statements included in this report are presented fairly and the agency has complied with laws and regulations having a direct and material effect on the financial statements. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States Government Accountability Office. Financial audit staff members hold degrees with an emphasis in accounting and many staff members hold Certified Public Accountant (CPA) certificates.

The Single Audit Act Amendments of 1996 and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards require the auditor to issue certain financial, internal control, and compliance reports in addition to those reports required by *Government Auditing Standards*. This individual agency audit report is not intended to comply with these reporting requirements and is therefore not intended for distribution to federal grantor agencies. The Legislative Audit Division issues a statewide biennial Single Audit Report which complies with the above reporting requirements. The Single Audit Report for the two fiscal years ended June 30, 2019, was issued March 30, 2020. The Single Audit Report for the two fiscal years ended June 30, 2021, will be issued by March 31, 2022.

Audit Staff

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LEGISLATIVE AUDIT DIVISION

Angus Maciver, Legislative Auditor
Deborah F. Butler, Legal Counsel

Deputy Legislative Auditors:
Cindy Jorgenson
William Soller

February 2021

The Legislative Audit Committee
of the Montana State Legislature:

This financial audit report contains our Independent Auditor's Report on the basic financial statements (BFS) and the Schedule of Expenditures of Federal Awards (SEFA) of the state of Montana for the fiscal year ended June 30, 2020. The BFS were prepared by the State Financial Services Division of the Department of Administration. The SEFA was prepared by the Governor's Office of Budget and Program Planning.

We issued an unmodified opinion on the SEFA in relation to the amounts presented in the BFS. We also issued unmodified opinions on the 11 opinion units included in the BFS, as described in the Independent Auditor's Report on page A-5. This means a reader may rely on the information presented in the BFS.

The report also contains our Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements. This report is required by *Government Auditing Standards*. The report includes one significant deficiency in internal controls that is a continuation of a control deficiency previously reported in fiscal year 2019 Statewide Audit report (19-01), related to internal controls over eligibility determinations for the Medicaid and Children's Health Insurance Program (CHIP). Additionally, the report addresses material noncompliance for three retirement systems that are not actuarially sound as required by the Montana Constitution and state law.

Department of Administration and Governor's Office officials reviewed the contents of this report. The Department of Administration's response is on page B-1, and the Governor's Office response is on page B-2. The report also includes a response from the Department of Public Health and Human Services, on page B-3, related to the significant deficiency in internal controls over eligibility determinations for Medicaid and CHIP.

We thank the Department of Administration's director, the State Financial Services Division staff, and the Governor's Office staff for their cooperation and assistance throughout the audit.

Respectfully submitted,

/s/ Angus Maciver

Angus Maciver
Legislative Auditor

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Elected, Appointed, and Administrative Officials

State of Montana	Greg Gianforte, Governor (as of January 4, 2021) Steve Bullock, Governor (through January 3, 2021)
Department of Administration	Misty Ann Giles, Director (as of January 2021) John Lewis, Director (through December 2020) **State Financial Services Division** Cheryl Grey, CPA, Administrator **State Accounting Bureau** Cody Pearce, CPA, State Accountant **State Accounting & Financial Reporting Section** Frank Cornwell, CPA, Manager Michael Aune, Accountant Elisabeth Campbell, Accountant Brian Feller, CPA, Accountant Wenruzi Koch, CPA, Accountant Courtney Cozzie, Accountant (through October 2020)
Governor's Office of Budget and Program Planning	Kurt Alme, Budget Director (as of January 4, 2021) Tom Livers, Budget Director (through January 3, 2021) Sonia Powell, CPA, Single Audit Coordinator

For additional information concerning the basic financial statements, contact:

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Financial Audit 20-01A February 2021

Montana Legislative Audit Division

State of Montana

For the Fiscal Year Ended June 30, 2020

Background

In accordance with state law, the Department of Administration (department) prepares the Basic Financial Statements (BFS) for the state of Montana. The BFS provide Legislators, citizens, and other interested parties with a summary of the state's overall financial position as of June 30, 2020, as well as financial information on all operations and activities of state government for the fiscal year then ended.

The Governor's Office of Budget and Program Planning prepares the Schedule of Expenditures of Federal Awards (SEFA), as required by federal regulation. The SEFA reports total federal grant expenditures for the fiscal year ended June 30, 2020, of approximately $4.99 billion, including noncash assistance amounts and loan amounts for certain programs.

The state's General Fund ending fund balance increased by approximately $149 million, or 34 percent, from June 30, 2019, to June 30, 2020. The overall increase is attributed, in part, to a $57 million increase in the Budget Stabilization Reserve Fund, which is reported as General Fund Committed Fund Balance in the Governmental Fund Financial Statements included in this report. Additionally, in fiscal year 2020, the state received $1.25 billion from the United States Treasury, through the Coronavirus Relief Fund authorized by the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act. As of fiscal year-end 2020, the state spent approximately $93 million of these funds, primarily through programs established at the Department of Commerce, Department of Public Health and Human Services, and Department of Administration. The remaining unspent funds are reported as cash & cash equivalents and unearned revenues in the Federal Special Revenue Fund in the financial statements included in this report.

AUDITOR'S OPINIONS (page A-5): UNMODIFIED

We found the state's BFS present fairly the activity of the state of Montana and its component units, in all material respects in relation to requirements in Generally Accepted Accounting Principles (GAAP). This means the reader can rely on the information presented in the BFS contained in this report.

We also determined the Schedule of Expenditures of Federal Awards (SEFA) is reasonable in relation to amounts in the state's BFS.

For the full context of the state's financial activity, see the financial statements and notes beginning on page A-9. See also the SEFA beginning on page A-195.

RECOMMENDATIONS:

In this report, we issued the following recommendations:
To the department: 0
To the legislature: 0

While there are no recommendations in this report, the report does include a discussion of follow-up work conducted in support of the current state of Montana (20-01A) audit, related to internal control and noncompliance findings reported in the 19-14 Department of Public Health and Human Services and 18-02 Biennial Single Audit reports specific to Medicaid and Children's Health Insurance Program (CHIP). It also outlines our

(continued on back)

For the full report or more information, contact the Legislative Audit Division.

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The mission of the Legislative Audit Division is to increase public trust in state government by reporting timely and accurate information about agency operations, technology, and finances to the Legislature and the citizens of Montana.

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approach to testing the related Medicaid and CHIP expenditures for fiscal year 2020 in support of this audit, and our considerations on whether the undisclosed contingent liability as of June 30, 2019, based on the findings in the 19-14 and 18-02 audit reports, continues to exist as of June 30, 2020. As outlined in the Report on Internal Control and Compliance section below, we determined a control deficiency continues to exist related to benefit eligibility determinations for Medicaid and CHIP. We do not believe the financial statements require disclosure of a contingent liability as of June 30, 2020.

There were no recommendations in the prior audit report.

SUMMARY OF AUDIT WORK:
Our audit work included obtaining and evaluating the results of agency audits, as well as analyzing financial data, performing testing of the adjustments and corrections made to the state's accounting records, and reviewing the financial statements and note disclosures to determine whether they were supported and presented in accordance with GAAP. We also performed procedures related to the state's implementation of new accounting standards during the fiscal year.

Additionally, we performed procedures to determine the reasonableness of the SEFA in relation to amounts in the state's BFS. These procedures included tying amounts on the SEFA back to the amounts in the state's accounting records, reviewing the note disclosures to determine whether they were complete and supported, and ensuring the SEFA was presented in accordance with requirements in federal regulations.

REPORT ON INTERNAL CONTROL AND COMPLIANCE (page A-1):
In this report, we identified the following:
Material Weaknesses in Internal Control: 0
Significant Deficiencies in Internal Control: 1
Material Non-Compliance: 1
Other Matters: 0

For the full context of this information, including the distinction between the types of items reported, see the report beginning on page A-1.

The recommendation related to the material noncompliance included in the Report on Internal Control and Compliance is included in the Public Employees' Retirement Board (20-08A) audit report.

Information regarding the significant deficiency in internal control is presented in Chapter I of the current state of Montana (20-01A) audit report.

Chapter I – Introduction and Background

Introduction

We conducted a financial audit of the state of Montana's basic financial statements (BFS) for the fiscal year ended June 30, 2020. The objectives of the audit were to:

1. Determine whether the BFS are presented fairly in accordance with Generally Accepted Accounting Principles (GAAP) and to determine the reasonableness of the state's Schedule of Expenditures of Federal Awards (SEFA) in relation to the state's BFS.
2. Obtain an understanding of the internal control structures to the extent necessary to support the audit of the financial statements and, where necessary, make recommendations for improvement in the state's management and internal controls.
3. Prepare the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on our audit of the state of Montana's BFS for the fiscal year ended June 30, 2020, as required by *Government Auditing Standards*. This report is prepared based on the results of this audit as well as all other audits.

In accordance with state law, the Department of Administration (department) prepares the BFS for the state of Montana. To prepare the BFS, the department uses financial data from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) used by all agencies. Adjustments are made from the SABHRS data to present the financial activity in accordance with GAAP. Adjustments include but are not limited to corrections of errors and eliminating internal balances that roll together for presentation purposes.

To address the objectives above, we focused our audit efforts on analyzing financial data, testing the adjustments and corrections made to SABHRS, and reviewing the financial statements and note disclosures to determine whether they were supported and presented in accordance with GAAP. We also evaluated the results of completed agency audits and performed procedures over the state's implementation of new accounting standards. We determined whether the SEFA was reasonable in relation to the amounts presented in the BFS and prepared in accordance with Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

We issued unmodified opinions on the 11 opinion units included in the BFS, as described in the Independent Auditor's Report on page A-5. Unmodified opinions mean the readers of the BFS can rely on the information presented. We also issued

an unmodified opinion on the SEFA in relation to the amounts presented in the BFS. This report does not include any audit recommendations.

In our Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements on page A-1, we report material noncompliance for three retirement systems that are not actuarially sound as required by the Montana Constitution and state law. This retirement system issues are disclosed in the Public Employees' Retirement Board (20-08A) audit report. Additionally, we report one significant deficiency in internal controls that is a continuation of a control deficiency previously reported as a material weakness in internal controls in the fiscal year 2019 State of Montana Audit report (19-01), related to proper eligibility determinations for the Medicaid and Children's Health Insurance Program (CHIP). Further discussion of this control deficiency, including our basis for concluding it is a significant deficiency in financial reporting for fiscal year 2020, is presented in the paragraphs below. These paragraphs also include a discussion regarding changes in our approach to testing the Medicaid and CHIP program expenditures from fiscal year 2019 to fiscal year 2020, and our considerations regarding the undisclosed contingent liability identified in the 19-01 audit report.

Medicaid and CHIP Eligibility Internal Controls, Expenditure Testing, and Contingent Liabilities

In our fiscal year 2018 and 2019 audit of the Department of Public Health and Human Services (DPHHS) (19-14), we reported internal control and compliance issues related to eligibility determinations for the Medicaid and CHIP programs. Conclusions were based on federal and state program requirements, federal guidance to auditors, and results of our review of 63 case files which also included consideration of state tax data as an external data source. As a result, we reported a material weakness in internal control and material noncompliance in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements in our state of Montana audit report for fiscal year 2019 (19-01).

Additionally, our audit opinions for the state's General Fund and Federal Special Revenue Fund for fiscal year 2019 were qualified based on an omitted contingent liability disclosure related to federal questioned costs based on our audit findings in the 19-14 audit.

Fiscal Year 2020 Expenditure Testing Approach and Results

As required by auditing standards, we performed follow-up on the internal control and compliance issues identified in the 19-14 DPHHS audit as part of the current audit of the state's BFS. We noted several changes occurred for fiscal year 2020, including:

- Federal guidance to auditors no longer contained a requirement to redetermine eligibility to ensure beneficiaries qualify for the Medicaid program and are in the appropriate enrollment category. Additionally, the federal guidance indicated the auditor is not expected to test beyond the requirements of the state. As such, if the department accepted self-attested information verified at a later date, then the auditor should accept such information in audit testing.
- Chapter 415, Laws of 2019 (HB 658) requires the department to verify the information provided on an application for Medicaid to confirm an applicant's eligibility before authorizing payment of benefits under the program. HB 658 also requires the department use state tax data in its verifications. The department implemented verification at application as of January 1, 2020, and the use of state tax data began on May 14, 2020. The department was ready to require proof of residency in March 2020, but the change was put on hold due to a requirement in Section 6008 of the Families First Coronavirus Response Act which prevents the inclusion of additional eligibility policy changes during the pandemic, so will continue to accept self-attestation as proof of residency until the pandemic is over.

The above changes were considered as we designed and conducted audit tests in support of the audit of the state's BFS for fiscal year 2020.

We conducted a stratified judgmental sample from nearly 300,000 client eligibility determinations or redeterminations made during fiscal year 2020. From that population, we selected 34 clients, including new clients (initial eligibility determinations) and continuing clients (eligibility redeterminations). A portion of our sample was directed at clients who incurred more significant benefits costs during fiscal year 2020. We randomly selected 25 of the clients reviewed. Of the remaining nine, we selected two clients based on eligibility categories where issues were identified by the prior audit, one client because the initial intake information was collected by the Department of Corrections, and six because of the benefit costs they incurred during the audit period.

Through our testing of the randomly selected files, we identified one instance where a Medicaid client's eligibility for their current category had not been confirmed since November 2017. While the department's automated data processes occurred, a difference flagged by the system requiring department staff resolution was not completed as required. In fiscal year 2020 when the department completed the required procedure, the individual was misclassified in the state's eligibility system,

which resulted in the individual incorrectly not being required to pay a premium. We identified this misclassified individual through our audit work. In this situation, the misclassification did not result in an incorrect federal or state match.

We considered the results of the current sample as well as the magnitude of the Medicaid and CHIP programs, which collectively incur over $2 billion in benefits and claims expenditures annually. While there was no misapplication of federal and state match for this identified instance, the breakdown in internal controls could have resulted in a misapplication of match or in the department not identifying an ineligible individual. Given the magnitude of the payments under these programs, we consider this to be a significant deficiency in internal control, requiring the attention of those charged with governance at the state level. Therefore, it is reported in the current Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements on page A-1.

Additional follow-up on the recommendations from the 19-14 audit will be conducted as part of the audit of DPHHS for fiscal years 2020 and 2021.

Contingency Liability Disclosure Considerations

As part of the current audit of the BFS, we also considered whether the BFS required disclosure of a contingent liability related to the federal questioned costs based on our audit findings in the 19-14 audit and reported in our most recent biennial Single Audit report (18-02). The underlying Single Audit finding has not yet been formally resolved by the Centers for Medicare & Medicaid Services (CMS). However, in a November 2020 email, CMS indicated it would pursue the internal control deficiencies identified by the audit but would not pursue financial recoveries associated with the questioned costs related to the internal control deficiencies. The email also states that this does not preclude financial recovery of the federal share of claims for services to deceased beneficiaries or where inaccurate increased Federal Medical Assistance Percentage (FMAP) rates were applied.

We considered this information in relation the requirements in GAAP for contingencies, and determined it was reasonable for the State Financial Services Division to not report a contingent liability in fiscal year 2020 for those questioned costs.

Independent Auditor's Report and Basic Financial Statements, Required Supplementary Information, and Schedule of Expenditures of Federal Awards

LEGISLATIVE AUDIT DIVISION

Angus Maciver, Legislative Auditor
Deborah F. Butler, Legal Counsel

Deputy Legislative Auditors:
Cindy Jorgenson
William Soller

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Legislative Audit Committee
of the Montana State Legislature:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the state of Montana, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the state of Montana's basic financial statements, and have issued our report thereon dated January 22, 2021. Our report includes a reference to other auditors who audited the financial statements of the Montana State University component units and the University of Montana component units, as described in our report on the state of Montana's financial statements. The financial statements of the Montana State University component units and the University of Montana component units were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with these component units.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the state of Montana's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the state of Montana's internal control. Accordingly, we do not express an opinion on the effectiveness of the state of Montana's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material

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misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal controls was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described below, that we consider to be a significant deficiency.

The Department of Public Health and Human Services' internal controls over Medicaid and Children's Health Insurance Program eligibility determinations did not consistently operate as designed in fiscal year 2020. When these controls do not operate as designed, the state of Montana is at risk of misapplying match requirements between the General Fund and Federal Special Revenue Fund sources, or of not identifying ineligible participants. Collectively, these two programs incur over $2 billion in benefit and claims expenditures annually.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the state of Montana's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. The identified instances of noncompliance are described below.

The Montana Public Employees' Retirement Board administers eight defined benefit retirement plans. The Montana Constitution and state law require all retirement systems to be actuarially sound. The actuarial valuations as of June 30, 2020, indicate the Game Wardens' and Peace Officers,' Highway Patrol Officers,' and Public Employees' retirement systems are not actuarially sound as they amortize in 40, 39, and 35 years, respectively. The maximum allowable amortization period is 30 years, as defined by state law.

State of Montana's Response to Findings

The state of Montana's response to the findings identified in our audit are described in the separately issued Public Employees' Retirement Administration report (20-08A), and on B-1 of this report. The responses in these reports were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the state of Montana's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the state of Montana's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

/s/ Cindy Jorgenson

Cindy Jorgenson, CPA
Deputy Legislative Auditor
Helena, MT

January 22, 2021

LEGISLATIVE AUDIT DIVISION

Angus Maciver, Legislative Auditor
Deborah F. Butler, Legal Counsel

Deputy Legislative Auditors:
Cindy Jorgenson
William Soller

Independent Auditor's Report

The Legislative Audit Committee
of the Montana State Legislature:

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the state of Montana, as of and for the year ended June 30, 2020, and the related notes to the financial statements which collectively comprise the state of Montana's basic financial statements, as follows:

- Statement of Net Position
- Statement of Activities
- Balance Sheet–Governmental Funds
- Reconciliation of the Balance Sheet–Governmental Funds to the Statement of Net Position
- Statement of Revenues, Expenditures, and Changes in Fund Balances–Governmental Funds
- Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances–Governmental Funds to the Statement of Activities
- Statement of Fund Net Position–Proprietary Funds
- Statement of Revenues, Expenses, and Changes in Fund Net Position–Proprietary Funds
- Statement of Cash Flows–Proprietary Funds
- Statement of Fiduciary Net Position–Fiduciary Funds
- Statement of Changes in Fiduciary Net Position–Fiduciary Funds.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Montana State University (MSU) component units and the

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University of Montana (UM) component units, which represent 14.93 percent, 30.30 percent, and 2.25 percent, respectively of the assets, net position, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the university component units, are based solely on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the MSU and UM component units were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the state of Montana's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the state of Montana's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Summary of Opinions

Opinion Unit	**Type of Opinion**
Governmental Activities	Unmodified
Business-Type Activities	Unmodified
General Fund	Unmodified
State Special Revenue Fund	Unmodified
Federal Special Revenue Fund	Unmodified
Land Grant	Unmodified
Coal Severance Tax	Unmodified
Unemployment Insurance	Unmodified
Municipal Finance Programs	Unmodified
Aggregate Discretely Presented Component Units	Unmodified
Aggregate Remaining Fund Information	Unmodified

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and business-type activities, General Fund, State Special Revenue Fund, Federal Special Revenue Fund, Land Grant, Coal Severance Tax, Unemployment Insurance, and Municipal Finance Programs major funds, and the aggregate discretely presented component units and aggregate remaining fund information of the state of Montana, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the basic financial statements, in fiscal year 2020, the state adopted Governmental Accounting Standards Board Statement No. 84–Fiduciary Activities. This clarified how fiduciary activity is identified and reported. As a result, the types of activities reported in the fiduciary fund type have changed, and the Fiduciary Fund financial statements now report the Custodial Fund type instead of the Agency Fund Type. Our opinion is not modified with respect to this matter.

As discussed in Note 1C to the financial statements, in fiscal year 2020, the Unemployment Insurance Fund reports federal contributions to fund benefit claims related to the statewide unemployment impact of COVID-19. These federal contributions are reported as non-operating revenues. Additionally, the Federal Special Revenue Fund reports significant cash & cash equivalent and unearned revenue balances, associated with the unspent portion of the $1.25 billion the state received from the Coronavirus Relief Fund, authorized by the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act. As discussed in Note 17 to the basic financial statements, the unspent portion will be expended during fiscal year 2021. Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Budgetary Comparison Schedule, the Pension Plan Information, the Other Postemployment Benefits Plan Information, and the Risk Management Trend Information, and the related notes, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an

opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the state of Montana's basic financial statements as a whole. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards
In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2021, on our consideration of the state of Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the state of Montana's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the state of Montana's internal control over financial reporting and compliance.

Respectfully submitted,

/s/ Cindy Jorgenson

Cindy Jorgenson, CPA
Deputy Legislative Auditor
Helena, MT

January 22, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

Management of the State of Montana (State) provides this *Management's Discussion and Analysis* of the State of Montana's basic financial statements included in the Comprehensive Annual Financial Report (CAFR). This is a narrative overview and analysis of the financial activities of the State of Montana for the fiscal year ended June 30, 2020. We encourage readers to consider this information in conjunction with the additional information that is furnished in the State's financial statements, which follow.

In late 2019, a novel strain of coronavirus ("COVID-19") started to spread throughout the world, including to the United States, resulting in the World Health Organization proclaiming COVID-19 to be a pandemic and the President of the United States declaring a national emergency. In response to the spread of COVID-19, the United States government, state governments (including the State), local governments, and private industries have taken measures to limit social interactions in an effort to limit the spread of COVID-19. In March of 2020, Montana declared a state emergency, and a national emergency was announced in the United States shortly after. The Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed by Congress and signed into law by the President of the United States on March 27, 2020. In the following discussion and analysis, COVID-19 refers to this pandemic and CARES refers to the CARES Act funding.

FINANCIAL HIGHLIGHTS

Government-wide

The assets and deferred outflows of resources of the State exceeded its liabilities and deferred inflows of resources at the end of fiscal year 2020 by $10.2 billion compared with $9.7 billion at the end of fiscal year 2019, representing a 5.6% increase in net position. Component units reported net position of $2.2 billion at the end of fiscal year 2020 compared to $2.1 billion at the end of fiscal year 2019, representing a 5.2% increase in net position. More detail is provided in the financial statement overview below.

Fund Level

As of the close of fiscal year 2020, the State's governmental funds reported combined ending fund balances of $5.0 billion compared with $4.5 billion at fiscal year 2019. This represents a $434.9 million (9.6%) increase in total fund balance. Of the 2020 balance, $1.9 billion is not in spendable form, primarily as permanent fund principal. Thus, $3.1 billion is available for spending. The fund balance in spendable form is segregated by constraint as follows: $1.2 billion restricted, $1.4 billion committed, $90.5 million assigned, and $372.9 million unassigned. These changes are discussed in more detail in the financial analysis of the State's major funds presented below.

The State's business-type activity funds reported net position at the close of fiscal year 2020 in the amount of $393.3 million compared with fiscal year 2019 net position of $482.6 million. Of the 2020 business-type activity net position, $22.0 million was reported as net investment in capital assets. Net position of $371.3 million was in spendable form with $21.0 million unrestricted and $350.3 million restricted to expenditure for a specific purpose. This represents a $90.0 million (19.5%) decrease in spendable net position from the fiscal year 2019 balance of $461.3 million. These changes are discussed in more detail in the financial analysis of the State's major funds presented below.

Long-term Debt

The State's total governmental activity bonds and notes payable for governmental activities increased by $287.0 thousand, from $127.1 million in fiscal year 2019 to $127.4 million, a 0.2% increase in fiscal year 2020.

Further detail relating to the State's long-term debt is provided in *notes to the financial statement's* Note 11.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the State of Montana's basic financial statements. The State's basic financial statements include three components: (1) *government-wide financial statements*, (2) *fund financial statements*, and (3) *notes to the financial statements*. The report also contains

additional required supplementary information, which includes budgetary schedules, pension and other post employment benefits plan information, and risk management trends. These components are described below:

Basic Financial Statements
The basic financial statements include two types of financial statements that present different views of the State – the g*overnment-wide financial statements* and the *fund financial statements***.** These financial statements also include the *notes to the financial statements*, which provide further detail and information related to the balances of the financial statements.

Government-wide Financial Statements
The *government-wide financial statements* provide a broad view of the State's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the State's financial position, which assists in assessing the State's economic condition at the end of the fiscal year. These are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. In other words, they follow methods that are similar to those used by most businesses, including all revenues and expenses connected with the fiscal year, even if cash involved has not been received or paid. The government-wide financial statements include two statements: The *Statement of Net Position* and the *Statement of Activities*, as defined below.

The *Statement of Net Position* presents all of the government's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Over time, increases or decreases in the State's net position may serve as a useful indicator of whether the financial position of the State is improving or deteriorating.

The *Statement of Activities* presents information related to the government's net position changes during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods. This statement also presents a comparison between direct expenses and program revenues for each function of the State.

Both of the above financial statements have separate sections for three different types of state activities. These three types of activities are as follows:

Governmental Activities – Activities mostly supported by taxes and intergovernmental revenues, including federal grants. Most services normally associated with state government fall into this category, including education (support for both K-12 public schools and higher education), general government, health and human services, natural resources, public safety, and transportation.

Business-type Activities – Functions normally intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. The major business-type activities of the State include the Unemployment Insurance Fund and the Municipal Finance Programs, which assists Montana's small businesses and local governments in obtaining long-term, fixed-rate financing through private Montana lending institutions.

Discretely Presented Component Units – Operations for which the State has financial accountability, but have certain independent qualities as well. In order to be considered component units, these entities must be legally separate to the extent that they may sue, or be sued, in their own right. For the most part, these entities operate similarly to private sector businesses and the business-type activities described above. The State's component units consist of one financing authority, one housing board, one nonprofit independent public corporation, and two universities.

Fund Financial Statements - Reporting the State's Major Funds
A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements focus on individual parts of the state government, reporting the State's operations in more detail than the government-wide statements. All of the funds can be divided into three categories. It is

important to note that these fund categories use different accounting approaches and should be interpreted individually. The three categories of funds are as follows:

Governmental Funds – Most of the basic services provided by the State are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements. This approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting. These statements provide a detailed short-term view of the State's finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the State.

The State has five governmental funds that are considered major funds for presentation purposes. Each major fund is presented in a separate column in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The State's five major governmental funds are the General Fund, the State Special Revenue Fund, the Federal Special Revenue Fund, the Coal Severance Tax Fund, and the Land Grant Fund.

Proprietary Funds – When the State charges customers for the service it provides, whether to outside customers or to other agencies within the State, these services are generally reported in proprietary funds. Like the government-wide statements, proprietary fund statements utilize full accrual accounting, the same method used by private sector businesses. Enterprise funds report activities that provide supplies and services to the general public. Whereas internal service funds report activities that provide supplies and services to the State's other programs and activities.

Fiduciary Funds – Resources held for the benefit of parties outside state government are accounted for in fiduciary funds. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the State's own programs. Fiduciary fund statements use the full accrual basis of accounting.

Notes to the Financial Statements
The *notes to the financial statements* provide additional information that is essential for a full understanding of the *government-wide* and the *fund financial statements*. The *notes to the financial statements* can be found immediately following the fiduciary fund financial statements.

Required Supplementary Information
The basic financial statements are followed by a section of required supplementary information. This section contains a budgetary comparison schedule, which includes the reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the General Fund and major special revenue funds as presented in the governmental *fund financial statements*. Required supplementary information also includes pension and other post employment benefits plan information, as well as additional risk management trend data.

GOVERNMENT-WIDE FINANCIAL ANALYSIS
Montana's overall financial position increased from the last fiscal year, as reflected in the $545.8 million increase (5.6%) in net position. This improvement resulted from the continued moderate growth, despite the initial impacts of COVID-19, particularly in tax and investment revenue. However, growth is not expected to persevere in fiscal year 2021, as the associated financial and economical affects of the pandemic are realized.

Net Position
As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The State's combined net position (government and business-type activities) totaled $10.2 billion at the end of fiscal year 2020. Net position of both governmental and business-type activities increased by $635.0 million (6.9%) and decreased by $89.2 million (18.5%), respectively. These changes are explained in detail in the major fund analysis below.

A portion of the State's net position reflects its investment in capital assets such as land, buildings, equipment, and infrastructure (roads, bridges, and other immovable assets) less any related debt used to acquire those assets that is still outstanding. The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the State's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the State's ongoing obligations to citizens and creditors. Internally imposed designations of resources are not presented as restricted net position.

At the end of the current fiscal year, the State reported positive balances in net investment in capital assets and restricted net position categories, along with a negative balance in the unrestricted category of net position, for both the governmental activities and the primary government as a whole. The negative unrestricted net position is primarily due to the State's net pension liability. GASB Statements No. 68 and 71, related to pension liabilities and other balance sheet components, were implemented in fiscal year 2015 and are contributing factors to the negative net position. The State also reported positive balances for all categories of net position for the business-type activities.

Net Position
June 30,
(expressed in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2020	2019	2020	2019	2020
Current and other assets	$ 5,762,815	$ 7,572,307	$ 629,612	$ 554,386	$ 6,392,427	$ 8,126,693
Capital assets	6,480,485	6,823,046	21,283	22,052	6,501,768	6,845,098
Total assets	12,243,300	14,395,353	650,895	576,438	12,894,195	14,971,791
Deferred outflows of resources	779,931	613,249	2,919	2,423	782,850	615,672
Long-term liabilities						
Due in more than one year	2,639,113	2,707,169	20,277	18,302	2,659,390	2,725,471
Other liabilities	976,135	2,251,217	147,328	163,594	1,123,463	2,414,811
Total liabilities	3,615,248	4,958,386	167,605	181,896	3,782,853	5,140,282
Deferred inflows of resources	212,056	219,243	3,641	3,645	215,697	222,888
Net investment in capital assets	6,402,612	6,743,003	21,266	22,035	6,423,878	6,765,038
Restricted	3,216,332	3,452,344	442,306	350,309	3,658,638	3,802,653
Unrestricted	(423,017)	(364,374)	18,996	20,976	(404,021)	(343,398)
Total net position	$ 9,195,927	$ 9,830,973	$ 482,568	$ 393,320	$ 9,678,495	$ 10,224,293

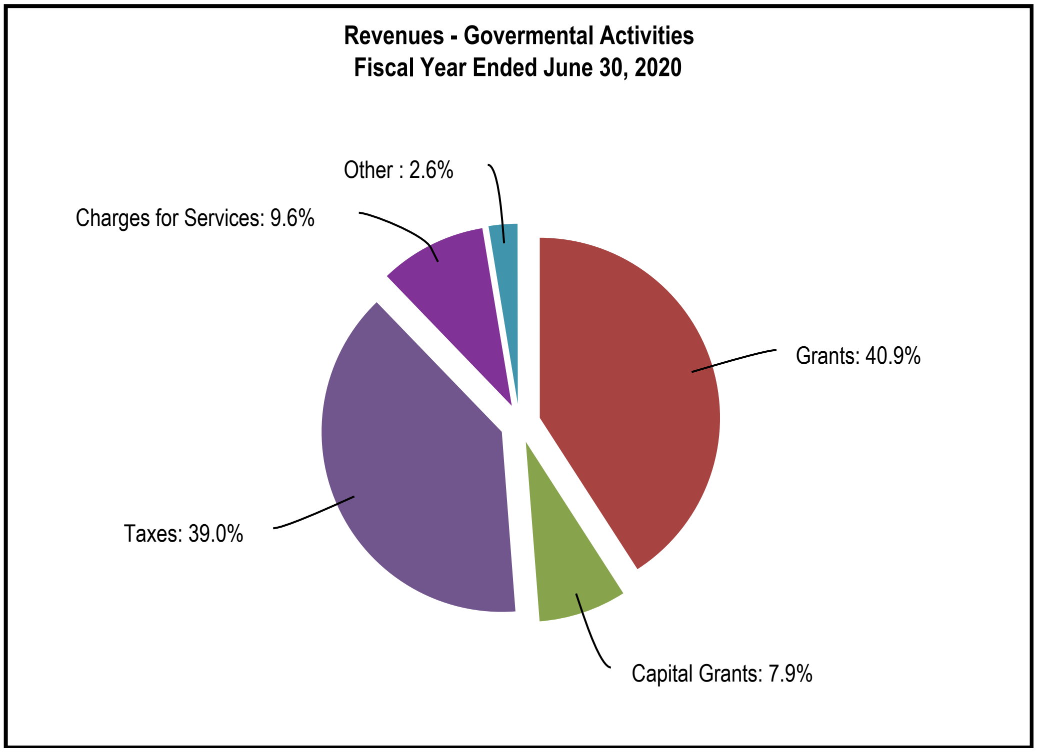
The following condensed financial information was derived from the government-wide Statement of Activities, and reflects how the State's net position changed during the fiscal year:

Changes in Net Position
For Fiscal Year Ended June 30,
(expressed in thousands)

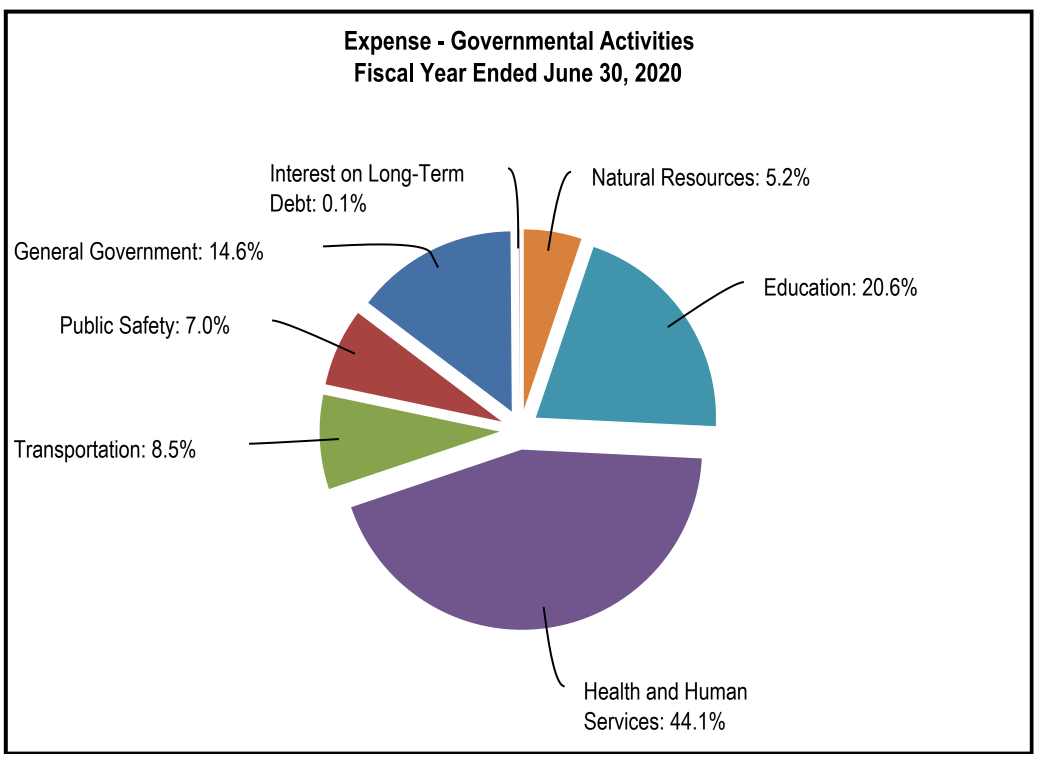
	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2020	2019	2020	2019	2020
Revenues:						
Program revenues						
Charges for services	$ 623,732	$ 686,335	$ 426,701	$ 443,048	$ 1,050,433	$ 1,129,383
Operating grants	2,611,941	2,930,307	68,243	71,422	2,680,184	3,001,729
Capital grants	527,900	564,431	512	950	528,412	565,381
General revenues						
Taxes	2,762,972	2,793,211	30,094	32,576	2,793,066	2,825,787
Other	248,070	186,194	2,398	504,749	250,468	690,943
Total revenues	6,774,615	7,160,478	527,948	1,052,745	7,302,563	8,213,223
Expenses:						
General government	829,657	957,534			829,657	957,534
Public safety	428,514	458,526			428,514	458,526
Transportation	547,907	557,290			547,907	557,290
Health and human service	2,680,251	2,896,774			2,680,251	2,896,774
Education	1,314,785	1,352,323			1,314,785	1,352,323
Natural resources	302,680	338,957			302,680	338,957
Interest on long-term debt	5,454	5,365			5,454	5,365
Unemployment Insurance			108,507	746,508	108,507	746,508
Liquor Stores			89,971	98,324	89,971	98,324
State Lottery			48,061	51,385	48,061	51,385
Municipal Finance Programs			2,937	2,542	2,937	2,542
Hail Insurance			933	1,154	933	1,154
Other Services			70,154	74,323	70,154	74,323
Prison Funds			9,307	8,506	9,307	8,506
MUS Group Insurance			88,330	100,958	88,330	100,958
MUS Workers Comp			3,887	657	3,887	657
Total expenses	6,109,248	6,566,769	422,087	1,084,357	6,531,335	7,651,126
Increase (decrease) in net position before transfers	665,367	593,709	105,861	(31,612)	771,228	562,097
Transfers	55,786	58,703	(55,786)	(58,703)	—	—
Change in net position	721,153	652,412	50,075	(90,315)	771,228	562,097
Net position, beg of year (as adjusted)	8,474,774	9,178,561	432,493	483,635	8,907,267	9,662,196
Net position, end of year	$ 9,195,927	$ 9,830,973	$ 482,568	$ 393,320	$ 9,678,495	$ 10,224,293

Governmental Activities

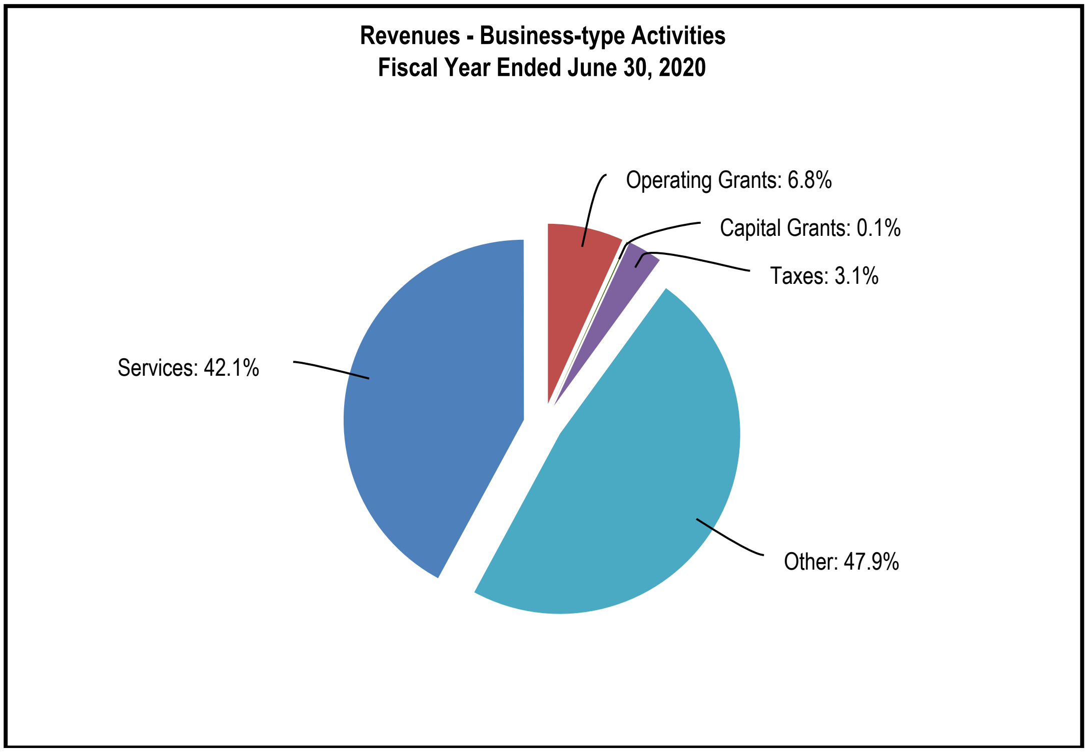
The following chart depicts revenues of the governmental activities for the fiscal year:



The following chart depicts expenses of the governmental activities for the fiscal year:

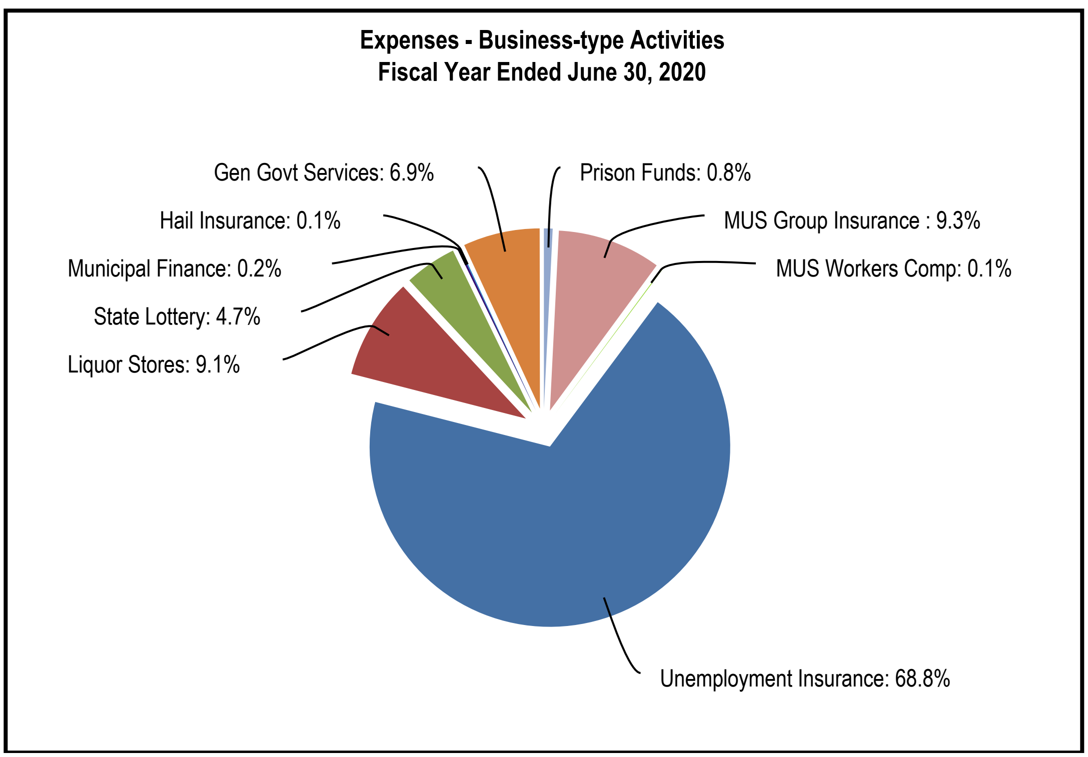


Business-type Activities
The following chart depicts revenues of the business-type activities for the fiscal year:



The Other Revenue in the above table is primarily related to additional federal funding received for Unemployment Insurance claims due to COVID-19.

The following chart depicts expenses of the business-type activities for the fiscal year:



FINANCIAL ANALYSIS OF THE STATE'S MAJOR FUNDS

As the State completed the year, its governmental funds reported fund balances of $5.0 billion. Of this total, $3.1 billion (61.5%) constitutes spendable fund balance and $1.9 billion (38.5%) is classified as non-spendable. The analysis of the following major funds, providing the majority of the fund balance for the government, follows.

General Fund Revenues and Expenditures

The General Fund is the chief operating fund of the State. For fiscal year 2020, the total fund balance of the General Fund was reported at approximately $592.8 million. Of this balance, $4.9 million is non-spendable. The remaining $587.9 million is spendable with $117.8 million committed, $89.5 million assigned, and $380.7 million unassigned. This spendable fund balance of the General Fund represents 19.3% of the $3.1 billion spendable governmental fund balances for all governmental funds. Of the assigned fund balance, $72.7 million pertains to the projected general fund spend down of fund balance in fiscal year 2021 and $16.8 million relates to outstanding encumbrances at the end of the fiscal year. The committed fund balance of $117.8 million relates to the balance of the Budget Stabilization Reserve Fund, which is combined with the General Fund for financial statement presentation. Further detail on the breakdown of fund balance for the General Fund is provided in Note 14 – Major Purpose Presentation.

Total fund balance increased by $149.4 million when compared to the previously reported fund balance of $443.4 million. Changes in both expenditures and revenues are discussed in detail below. The 2019 legislative session projected $226.4 million of unassigned fund balance for fiscal year 2020, without regard to a fund balance spend down. The difference was primarily the result of a larger than anticipated beginning fund balance.

<u>General Fund Revenues</u> – Total General Fund revenues were $2.4 billion for fiscal year 2020 (lower than legislative estimation), a 0.3% decrease from the $2.5 billion reported in 2019 (which were lower than legislative estimation). Fiscal year 2020 tax revenue increased by 0.1% in total over 2019, with corporate income tax collections up 0.4% and individual income tax collections increased by 0.1%. Other noted decreases in revenues included investment earnings.

<u>General Fund Expenditures</u> – Total General Fund expenditures for fiscal year 2020 increased by $31.7 million (1.4%). This increase in expenditures occurred in the general government, public safety, education, and natural resources functions and the decrease in expenditures occurred in the health and human services function as follows:

- General government expenditures increased by $11.6 million (3.2%)
- Public safety expenditures increased by $7.7 million (2.4%)
- Education expenditures increased by $45.8 million (4.4%)
- Natural resources expenditure increased by $4.3 million (13.3%)
- Health and human services expenditures decreased by $46.0 million (8.7%)

The expenditures in the health and human services function decreased for two reasons. The Montana HELP Act account was moved to the State Special Revenue Fund. The Centers for Medicare & Medicaid Services provided the Department of Public Health and Human Services an additional 6.2% federal funding for COVID-19, so the General Fund share of Medicaid expenditures went down.

The General Fund's actual revenues and expenditures in comparison to budgeted revenues and expenditures is provided in more depth on the Budgetary Comparison Schedule within the Required Supplementary Information section of this report. The same level of detail used to report the actual revenues and expenditures is not readily available for all budgetary revenues and expenditures, which may cause some variances.

General Fund Expenditure Budget Reversions

Fund balances are not reserved for reverted appropriations. For fiscal year 2020, general fund appropriations that reverted to 2021 were $64.9 million.

The Department of Public Health and Human Services had unspent appropriations of $54.0 million related to Medicaid savings and other operational costs.

The Department of Revenue had unspent appropriations of $3.0 million related to the funds available to local governing bodies pursuant to Section 15-1-402 (6)(d), MCA, regarding protested property taxes and other operational costs.

The Judicial Branch had unspent appropriations of $1.7 million related to vacancy savings and operational costs.

The Department of Administration had unspent appropriations of $1.4 million, and these were attributable to the cybersecurity enhancement project, state contributions to retirement funds, and other operational costs.

The Department of Natural Resources and Conservation had unspent appropriations of $1.3 million related to operational costs.

The Department of Justice had unspent appropriations of $1.0 million related to operational costs, statutory retirement transfers, and restricted State IT costs.

The remaining unspent appropriation of $2.4 million was attributable to miscellaneous reversions across other agencies.

State Special Revenue Fund

The fund balance of the State Special Revenue Fund increased by $122.3 million to $1.8 billion. Revenues increased by $7.5 million (0.7%) and expenditures increased $84.6 million (8.0%), for fiscal year 2020. The largest increases in revenues are attributable to an increase in licenses and permits, other taxes collections, and contributions and premiums. The largest increases in expenditures are attributable to health and human services related expenditures and capital outlay expenditures for infrastructure. Other financing sources, such as bond proceeds, increased due to the General Obligation Bonds, Series 2020C was issued in fiscal year 2020. Primarily, transfers into the State Special Revenue Fund from other governmental funds resulted in an increase in fund balance.

During the COVID-19 pandemic, the State Emergency Coordination Center (SECC) received donated personal protective equipment (PPE) and directed to the Department of Public Health and Human Services to distribute to hospitals, long-term care facilities, EMS, and local DES. The value of the donated PPE was $90.7 thousand. SECC also received a donation of $20.0 thousand from an individual and directed to the Department of Public Health and Human Services to purchase hand sanitizer for local distribution.

Federal Special Revenue Fund

The fund balance of the Federal Special Revenue Fund increased by $5.8 million (46.1%) to the balance of negative $6.8 million. Revenues and expenditures increased by $344.4 million (11.7%) and $321.0 million (11.0%) respectively, for the fiscal year 2020. Revenue increases are attributable to increases in federal program revenue, including COVID-19 related federal funding. Expenditure increases are attributable to increases in health and human services, general government, and capital outlay related expenditures. The health and human services and general government related expenditure increase is attributable to COVID-19. The capital outlay expenditure increase of 15.6% is attributable to infrastructure expenditure increases by transportation.

Coal Severance Tax Permanent Fund

The fund balance of the Coal Severance Tax Permanent Fund increased by $66.0 million (5.7%) to $1.2 billion. Revenue decreased by $5.7 million (5.4%) to $99.9 million, primarily due to an decrease of natural resource tax revenue. Transfers out, which decreased by $6.2 million (15.5%), and the increase in investment earnings helped lead to the increase in fund balance.

Land Grant Permanent Fund

The fund balance of the Land Grant Permanent Fund increased by $71.6 million (9.2%) to $845.7 million. Revenue decreased by $3.1 million to a total of $126.6 million, and the rentals, leases, and royalties were attributable to the decrease. The general capital asset sale proceeds increased by $4.0 million to a total of $11.0 million. Transfers out were $61.6 million, which was a decrease of $4.8 million compared to fiscal year 2019. Primarily, investment earnings and income generated by the State's trust lands resulted in an increase in fund balance.

Unemployment Insurance Enterprise Fund

Net position restricted for unemployment compensation decreased by $113.1 million (32.2%). The decrease in net position is attributable to the substantially high volume of benefit claims due to COVID-19 in fiscal year 2020, accompanied by an increase in the federal funding through the Federal Pandemic Unemployment Compensation and Pandemic Unemployment Assistance in fiscal year 2020.

Municipal Finance Programs Fund
Net position decreased by 0.8% to $5.4 million in fiscal year 2020. Financing income revenue decreased $475.0 thousand, and investment earnings decreased $242.0 thousand, while expenses from interest expense decreased $247.0 thousand. Overall revenues and expenditures decreased (23.2)% and (13.4)%, which resulted in an decrease of $43.0 thousand to net position.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The State's investment in capital assets for its governmental and business-type activities, as of June 30, 2020, amounted to $9.3 billion, with related accumulated depreciation of $2.5 billion, leaving a net book value of $6.8 billion. This investment in capital assets includes land, buildings, improvements, equipment, infrastructure, intangible assets, and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the State, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items.

The total increase in the State's investment in capital assets for the current fiscal year was $343.3 million or 5.3% in terms of net book value. Most increases in capital expenditures were seen in construction, or reconstruction, of roads and bridges. Additional information relating to the State's capital assets can be found in Note 5 of the *notes to the financial statements*.

Debt Administration

Montana continues to receive excellent general obligation bond ratings from Moody's Investor Service (Aa1), Standard and Poor's Corporation (AA), and Fitch Ratings (AA+), which remain unchanged from 2019.

State debt may be authorized either by a two-thirds vote of the members of each house of the Legislature or by a favorable vote of a majority of the State's electors voting thereon. There is no constitutional limit on the amount of debt that may be incurred by the State. The Montana Constitution does, however, prohibit the incurring of debt to cover deficits caused by appropriations exceeding anticipated revenue.

The State of Montana's general obligation debt increased from $73.1 million at June 30, 2019, to $90.3 million at June 30, 2020. There is cash available, of $7.4 million at the end of fiscal year 2020, in debt service funds to service general obligation debt.

The below table contains the ratio of general obligation debt and total State debt to personal income and to the amount of debt per capita:

	Amount *(in thousands)*	Percentage of Personal Income [1]	State Debt Per Capita [2]
General obligation debt	$ 90,250	0.17%	$ 84
Total State debt [3]	$ 137,701	0.30%	$ 129

(1) Based on personal income for calendar year 2019.
(2) Based on estimated 2019 Montana population.
(3) Based on total of general obligation bonds, special revenue bonds, notes payable, and lease/installment purchase payable for the percentage and state debt per capita.

More detailed information regarding the State's long-term obligations is provided in Note 11 of the notes to the financial statements and in the statistical tables.

ECONOMIC CONDITION AND OUTLOOK

On March 3, 2020, Governor Bullock formed a multi-agency task force to coordinate the State's preparations with respect to COVID-19. On March 12, 2020, Governor Bullock issued Executive Orders No. 2-2020 and 3-2020 declaring a State of Emergency in the State in response to the COVID-19 pandemic. Montana residents were under a Stay at Home Directive from March 28, 2020 through April 24, 2020. The State is now in a phased-in reopening.

Concerns stemming from COVID-19 have caused significant volatility in the United States financial markets, and in financial markets world-wide. Economic activity has been reduced in the near term as a result of actions required in response to the COVID-19 pandemic. The State expects that the economic repercussions associated with COVID-19

are likely to negatively affect the State’s receipt of revenues in fiscal year 2021 from individual income tax, corporate income tax and alternative corporate income tax, gaming taxes, vehicle taxes, accommodations taxes, interest earnings, and other smaller sources. Current estimates project a total general fund revenue decline in fiscal year 2021 when compared to official pre-pandemic estimates, with, assuming that the prevalence and adverse effects of COVID-19 are diminished and/or more effectively contained, an estimated rebound in state revenue collections beginning in fiscal year 2022 and beyond. In addition, the volatility and loss of value in the investment markets may negatively affect the value of the State’s investments and the valuations of the State’s pension plans.

COVID-19 has significantly affected Montana’s economy. Most business and service sectors in the State, including, without limitation, tourism and hospitality services, agriculture and natural resource extraction, are expected to experience decreases in operations and revenues, which are expected to result in decreased taxes, fees, assessments and other revenue to the State. The long-term effects of the pandemic on the economy and demographics are unknown, but there will likely be lasting impacts on Montana residents and businesses and the ways that people travel to, from, and within Montana. Montana has pronounced exposure to downturns in tourism, hospitality and the service industry, and those industries were most impacted at the onset of the pandemic. However, the State believes meaningful recovery is already taking place in those and other Montana industries.

As Montana works to respond to and recover from the unprecedented economic strain caused by COVID-19, the State is allocating emergency financing relief available from the federal government to those who have been hardest-hit by impacts of COVID-19. The financial assistance is funded through $1.25 billion in federal emergency relief made available under the federal Coronavirus Aid, Relief and Economic Security (CARES) Act.

The State cannot predict: (i) the duration or extent of the COVID-19 outbreak or any other outbreak or pandemic; (ii) the duration or expansion of travel restrictions and warnings – both domestically and internationally; (iii) whether additional countries or destinations will be added to the travel restrictions or warnings; (iv) what effect any COVID-19 or any other outbreak/pandemic-related travel restrictions or warnings may have on demand for travel; (v) whether and to what extent the COVID-19 outbreak or any other outbreak or pandemic may disrupt the local or global economy, manufacturing or supply chain, or whether any such disruption may adversely impact State-related operations and financial results; or (vi) whether any of the foregoing may have a material adverse effect on the finances and operations of the State.

The extent of the impact of the COVID-19 on the State’s operational and financial performance, and on State’s general financial condition, will depend on future developments, many of which are out of the State’s control, including without limitation the implementation of federal aid; the duration and spread of the COVID-19 pandemic; restrictions, limitations and changes on school and university attendance, public gatherings and other public events; restrictions in operations of public and private businesses and organizations nationwide and internationally; and travel restrictions and other restrictions and measures taken in response to the COVID-19 pandemic. The State believes it may be months and perhaps years before the State is able to accurately determine the full impact that the various events surrounding COVID-19 have on the State’s economy and financial condition.

Despite the economic effects of COVID-19, Montana’s primary economic base remains concentrated in nonresident travel, agriculture, and mining, as well as service-providing industries. Per the 2020 Labor Day Report issued by the Montana Department of Labor and Industry, Montana experienced the longest economic expansion in history from July 2009 to February 2020. Montana had real wage growth of 1.6% in calendar year 2019. Montana’s unemployment rate was as low as 3.5% in February 2020. In March 2020, the COVID-19 pandemic-induced recession appears to have been quite short, with employment levels quickly rebounding after the phased reopening of the economy. Unemployment claims hit a peak in April and continue to decrease steadily. Jobs have been quick to return with roughly 40,000 payroll positions added in May and June. Montana had the 16th smallest job loss among states, giving the state a smaller hurdle to overcome in the recovery. In July 2020, the Montana's unemployment rate was 6.4% with the national rate around 10.2%. Even with a strong recovery and rapid job growth, it is likely that the pandemic will have continued impacts on Montana's economy.

Montana had an estimated 1,068,778 population as of July 1, 2019. The Montana labor market has total nonfarm workers of 464,600 in August 2020 as compared to 484,700 in August 2019. A more in-depth analysis of the State’s overall financial position can be found in the transmittal letter of this report.

The Montana Constitution, Article VIII, Section 15, states that public retirement systems shall be funded on an actuarially sound basis. Public pension plans are considered actuarially sound if the unfunded accrued actuarial liability amortization period is within 30 years. As of June 30, 2020, the Game Warden & Peace Officers' Retirement System (GWPORS), the Highway Patrol Officers' Retirement System (HPORS), and the Public Employees' Retirement System - Defined Benefit Retirement Plan (PERS-DBRP) were not in compliance and did not amortize within 30 years. The unfunded liabilities in the other state retirement systems amortize in 30 years or less as of the fiscal year ended June 30, 2020.

The actuarial condition of these retirement plans is disclosed in greater detail in Note 6 of the financial statements. The unfunded actuarial liability of these plans is long-term in nature and does not translate into an inability of the plans to meet their current obligations in the near future.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the State of Montana's finances for all of Montana's citizens, taxpayers, customers, investors, and creditors. The financial report seeks to demonstrate the State's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the State of Montana, Statewide Accounting Bureau, Room 255 Mitchell Building, PO Box 200102, Helena, MT 59620.

STATEMENT OF NET POSITION
JUNE 30, 2020
(amounts expressed in thousands)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS				
Cash/cash equivalents (Note 3)	$ 3,152,853	$ 415,578	$ 3,568,431	$ 613,423
Receivables (net) (Note 4)	630,026	48,277	678,303	149,152
Due from primary government	—	—	—	1,325
Due from other governments	335,261	16,745	352,006	34,539
Due from component units	560	1,525	2,085	176
Internal balances	7,497	(7,497)	—	—
Inventories	28,754	4,424	33,178	5,058
Advances to component units	10,092	9,892	19,984	—
Long-term loans/notes receivable	525,184	41,969	567,153	597,356
Equity in pooled investments (Note 3)	2,565,490	18,641	2,584,131	51,492
Investments (Note 3)	215,456	2,728	218,184	2,142,283
Securities lending collateral (Note 3)	46,893	339	47,232	6,798
Net pension asset (Note 6)	39,567	—	39,567	—
Other assets	14,674	1,765	16,439	77,523
Depreciable capital assets and infrastructure, net (Note 5)	4,494,153	15,121	4,509,274	835,952
Land and nondepreciable capital assets (Note 5)	2,328,893	6,931	2,335,824	154,696
Total assets	14,395,353	576,438	14,971,791	4,669,773
DEFERRED OUTFLOWS OF RESOURCES (Note 4)	613,249	2,423	615,672	77,561
LIABILITIES				
Accounts payable (Note 4)	743,939	49,961	793,900	127,328
Lottery prizes payable	—	3,152	3,152	—
Due to primary government	—	—	—	2,085
Due to other governments	20,694	248	20,942	4,648
Due to component units	1,325	—	1,325	176
Due to pension trust funds	34,357	—	34,357	—
Advances from primary government	—	—	—	19,984
Unearned revenue	1,214,220	5,380	1,219,600	92,837
Amounts held in custody for others	51,871	31	51,902	16,152
Securities lending liability (Note 3)	46,893	339	47,232	6,798
Other liabilities	4,504	—	4,504	22,862
Short-term debt (Note 11)	—	90,670	90,670	—
Long-term liabilities (Note 11):				
Due within one year	133,414	13,813	147,227	173,596
Due in more than one year	418,492	5,975	424,467	1,832,149
Net pension liability (Note 6)	2,243,084	11,510	2,254,594	186,395
Total OPEB liability (Note 7)	45,593	817	46,410	27,460
Total liabilities	4,958,386	181,896	5,140,282	2,512,470
DEFERRED INFLOWS OF RESOURCES (Note 4)	219,243	3,645	222,888	56,222

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
NET POSITION				
Net investment in capital assets	$ 6,743,003	$ 22,035	$ 6,765,038	$ 682,593
Restricted for:				
General government	32,617	—	32,617	—
Transportation	102,115	—	102,115	—
Health and human service	2,344	—	2,344	—
Natural resources	613,428	—	613,428	—
Public safety	217,332	—	217,332	—
Education	8,430	—	8,430	—
Funds held as permanent investments:				
Nonexpendable	1,887,735	—	1,887,735	440,886
Expendable	588,343	—	588,343	—
Unemployment compensation	—	238,429	238,429	—
Montana Board of Housing	—	—	—	159,911
Other purposes	—	111,880	111,880	237,847
Unrestricted	(364,374)	20,976	(343,398)	657,405
Total net position	$ 9,830,973	$ 393,320	$ 10,224,293	$ 2,178,642

The notes to the financial statements are an integral part of this statement.

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(amounts expressed in thousands)

		PROGRAM REVENUES			
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE
Primary government:					
Governmental activities:					
General government	$ 957,534	$ 249,885	$ 245,338	$ 668	$ (461,643)
Public safety	458,526	182,773	34,960	—	(240,793)
Transportation	557,290	32,555	70,444	548,110	93,819
Health and human services	2,896,774	39,945	2,179,408	—	(677,421)
Education	1,352,323	2,531	196,537	683	(1,152,572)
Natural resources	338,957	178,646	203,620	14,970	58,279
Interest on long-term debt	5,365	—	—	—	(5,365)
Total governmental activities	6,566,769	686,335	2,930,307	564,431	(2,385,696)
Business-type activities:					
Unemployment Insurance	746,508	119,523	16,388	—	(610,597)
Liquor Stores	98,324	116,583	—	—	18,259
State Lottery	51,385	59,892	—	—	8,507
Municipal Finance Programs	2,542	7	2,482	—	(53)
Hail Insurance	1,154	1,182	33	—	61
Other Service	74,323	26,080	49,632	950	2,339
Prison Funds	8,506	7,532	—	—	(974)
MUS[1] Group Insurance	100,958	108,624	2,384	—	10,050
MUS[1] Workers Compensation	657	3,625	503	—	3,471
Total business-type activities	1,084,357	443,048	71,422	950	(568,937)
Total primary government	$ 7,651,126	$ 1,129,383	$ 3,001,729	$ 565,381	$ (2,954,633)
Component units:					
Montana Board of Housing	$ 24,455	$ 1,742	$ 25,151	$ —	$ 2,438
Facility Finance Authority	705	741	155	—	191
Montana State Fund	201,034	156,871	—	—	(44,163)
Montana State University	630,487	287,201	213,150	5,972	(124,164)
University of Montana	452,417	169,686	126,758	1,875	(154,098)
Total component units	$ 1,309,098	$ 616,241	$ 365,214	$ 7,847	$ (319,796)

[1]Montana University System

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
Changes in net position:				
Net (expense) revenue	$ (2,385,696)	$ (568,937)	$ (2,954,633)	$ (319,796)
General revenues:				
Taxes:				
Property	327,629	—	327,629	—
Fuel	260,553	—	260,553	—
Natural resource	171,055	—	171,055	—
Individual income	1,455,150	—	1,455,150	—
Corporate income	185,358	—	185,358	—
Other (Note 1)	393,466	32,576	426,042	—
Unrestricted grants and contributions	740	496,499	497,239	—
Settlements	27,906	—	27,906	—
Unrestricted investment earnings	138,435	106	138,541	143,101
Transfers from primary government	—	—	—	244,663
Gain (loss) on sale of capital assets	11,070	134	11,204	156
Miscellaneous	8,043	8,012	16,055	1,036
Contributions to term and permanent endowments	—	—	—	37,057
Transfers between primary government	58,703	(58,703)	—	—
Total general revenues, contributions, and transfers	3,038,108	478,624	3,516,732	426,013
Change in net position	652,412	(90,313)	562,099	106,217
Total net position - July 1 - as previously reported	9,195,927	482,568	9,678,495	2,070,862
Adjustments to beginning net position (Note 2)	(17,366)	1,065	(16,301)	1,563
Total net position - July 1 - as adjusted	9,178,561	483,633	9,662,194	2,072,425
Total net position - June 30	$ 9,830,973	$ 393,320	$ 10,224,293	$ 2,178,642

The notes to the financial statements are an integral part of this statement.

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020
(amounts expressed in thousands)

		SPECIAL REVENUE	
	GENERAL	STATE	FEDERAL
ASSETS			
Cash/cash equivalents (Note 3)	$ 528,914	$ 989,208	$ 1,264,153
Receivables (net)	434,693	86,629	75,438
Interfund loans receivable (Note 12)	95,979	101,954	—
Due from other governments	12,849	892	321,510
Due from other funds (Note 12)	26,471	13,737	2,882
Due from component units	—	304	17
Inventories	3,704	20,117	—
Equity in pooled investments (Note 3)	—	370,979	—
Long-term loans/notes receivable	—	498,389	6,214
Advances to other funds (Note 12)	355	28,348	—
Advances to component units	—	2,295	—
Investments (Note 3)	6,834	12,600	—
Securities lending collateral (Note 3)	—	6,957	—
Other assets	3,384	10,174	308
Total assets	$ 1,113,183	$ 2,142,583	$ 1,670,522
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 289,190	$ 188,550	$ 237,358
Interfund loans payable (Note 12)	—	5,288	189,055
Due to other governments	170	19,336	1,188
Due to other funds (Note 12)	3,070	10,182	1,851
Due to component units	34,442	498	742
Advances from other funds (Note 12)	—	6,065	25,486
Unearned revenue	798	21,971	1,194,737
Amounts held in custody for others	7,060	40,003	125
Securities lending liability (Note 3)	—	6,957	—
Other liabilities	—	304	—
Total liabilities	334,730	299,154	1,650,542
DEFERRED INFLOWS OF RESOURCES	185,641	7,314	26,779
Fund balances (Note 14):			
Nonspendable	4,903	21,310	252
Restricted	—	1,146,404	—
Committed	117,773	668,401	—
Assigned	89,469	—	—
Unassigned	380,667	—	(7,051)
Total fund balances	592,812	1,836,115	(6,799)
Total liabilities, deferred inflows of resources, and fund balances	$ 1,113,183	$ 2,142,583	$ 1,670,522

The notes to the financial statements are an integral part of this statement.

PERMANENT							
	COAL SEVERANCE TAX		LAND GRANT		NONMAJOR		TOTAL
$	55,978	$	31,215	$	60,335	$	2,929,803
	11,231		1,794		9,001		618,786
	—		—		5		197,938
	—		—		—		335,251
	8		—		1,447		44,545
	110		—		120		551
	—		—		—		23,821
	955,862		818,417		399,033		2,544,291
	—		—		20,581		525,184
	2,507		—		6,065		37,275
	7,473		—		318		10,086
	193,506		—		—		212,940
	17,395		14,894		7,262		46,508
	—		243		—		14,109
$	1,244,070	$	866,563	$	504,167	$	7,541,088
$	—	$	—	$	9,699	$	724,797
	1,332		10		457		196,142
	—		—		—		20,694
	590		1,750		1,946		19,389
	—		—		—		35,682
	—		—		7,325		38,876
	—		—		—		1,217,506
	—		4,163		25		51,376
	17,395		14,894		7,262		46,508
	—		—		—		304
	19,317		20,817		26,714		2,351,274
	2,976		—		1,553		224,263
	655,267		845,746		384,871		1,912,349
	—		—		35,737		1,182,141
	566,510		—		54,957		1,407,641
	—		—		1,044		90,513
	—		—		(709)		372,907
	1,221,777		845,746		475,900		4,965,551
$	1,244,070	$	866,563	$	504,167	$	7,541,088

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

JUNE 30, 2020

(amounts expressed in thousands)

Total fund balances - governmental funds		$ 4,965,551
Amounts reported for governmental activities in the Statement of Net Position are different due to:		
Capital assets used in governmental activities are not current financial resources and therefore not reported in the governmental funds (Note 5):		
Depreciable capital assets and infrastructure, net	$ 4,494,153	
Land and nondepreciable capital assets	2,328,893	6,823,046
Deferred outflows of resources represent a consumption of net assets that will be reported as an outflow of resources in a future period and therefore are not reported in the governmental funds.		613,249
Other assets not available in the current period and therefore are not reported in the governmental funds:		
Net pension asset		39,567
Long-term receivables		(444)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and central computer services, to individual governmental funds. The assets and liabilities and of the internal service funds are included in the governmental activities in the Statement of Net Position, excluding internal service funds' capital assets, deferred outflows of resources, deferred inflows of resources and long-term liabilities reported in specific areas.		237,715
Other liabilities that are not due and payable in the current period and are not reported in the governmental funds.		(12,149)
A portion of deferred inflows of resources represents an acquisition of net assets that will be recognized as an inflow of resources in a future period, which differs than that reported in the governmental funds.		5,021
Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the governmental funds (Note 11):		
Other long-term liabilities	(551,906)	
Net pension liability	(2,243,084)	
Total OPEB liability	(45,593)	(2,840,583)
Total net position - governmental activities		$ 9,830,973

The notes to the financial statements are an integral part of this statement.

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STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(amounts expressed in thousands)

		SPECIAL REVENUE	
	GENERAL	STATE	FEDERAL
REVENUES (Note 14)			
Licenses/permits	$ 132,654	$ 285,639	$ —
Taxes:			
Natural resource	69,726	64,110	—
Individual income	1,421,934	—	—
Corporate income	186,680	—	—
Property	308,093	19,536	—
Fuel	—	260,324	—
Other	237,274	151,174	—
Charges for services/fines/forfeits/settlements	33,453	106,641	7,358
Investment earnings	20,243	39,163	668
Securities lending income	—	75	37
Sale of documents/merchandise/property	273	12,536	—
Rentals/leases/royalties	8	1,346	—
Contributions/premiums	—	33,809	—
Grants/contracts/donations	11,315	19,503	72
Federal	18,889	6,642	3,180,500
Federal indirect cost recoveries	178	57,509	93,287
Other revenues	2,414	3,949	1,289
Total revenues	2,443,134	1,061,956	3,283,211
EXPENDITURES			
Current:			
General government	372,209	193,199	172,137
Public safety	321,661	96,834	25,892
Transportation	—	248,620	106,199
Health and human services	480,752	231,632	2,181,889
Education	1,082,324	76,644	193,684
Natural resources	36,263	195,389	90,770
Debt service:			
Principal retirement	208	3,603	103
Interest/fiscal charges	256	645	11
Capital outlay	11,681	90,705	460,057
Securities lending	—	46	7
Total expenditures	2,305,354	1,137,317	3,230,749
Excess of revenue over (under) expenditures	137,780	(75,361)	52,462
OTHER FINANCING SOURCES (USES)			
Inception of lease/installment contract	433	15,290	257
Insurance proceeds	48	34,366	—
General capital asset sale proceeds	76	892	—
Bond premium	—	4,361	—
Bond proceeds	—	28,900	—
Energy conservation loans	—	632	—
Transfers in (Note 12)	86,773	176,213	1,485
Transfers out (Note 12)	(76,949)	(64,180)	(48,633)
Total other financing sources (uses)	10,381	196,474	(46,891)
Net change in fund balances	148,161	121,113	5,571
Fund balances - July 1 - as previously reported	443,409	1,713,834	(12,614)
Adjustments to beginning fund balance (Note 2)	1,445	1,378	244
Fund balances - July 1 - as adjusted	444,854	1,715,212	(12,370)
Increase (decrease) in inventories	(203)	(210)	—
Fund balances - June 30	$ 592,812	$ 1,836,115	$ (6,799)

The notes to the financial statements are an integral part of this statement.

PERMANENT			
COAL SEVERANCE TAX	LAND GRANT	NONMAJOR	TOTAL
$ —	$ 1,718	$ —	$ 420,011
22,557	—	7,606	163,999
—	—	—	1,421,934
—	—	—	186,680
—	—	—	327,629
—	—	—	260,324
—	—	3,997	392,445
—	—	9,826	157,278
77,197	59,787	40,226	237,284
184	157	74	527
—	9,937	—	22,746
—	54,826	—	56,180
—	—	—	33,809
—	138	—	31,028
—	—	—	3,206,031
—	—	—	150,974
—	—	—	7,652
99,938	126,563	61,729	7,076,531
—	4	32	737,581
—	—	96	444,483
—	—	—	354,819
—	—	678	2,894,951
—	—	13	1,352,665
—	4,352	469	327,243
—	—	30,835	34,749
—	—	4,853	5,765
—	—	49,096	611,539
113	96	46	308
113	4,452	86,118	6,764,103
99,825	122,111	(24,389)	312,428
—	—	—	15,980
—	—	638	35,052
—	11,021	8	11,997
—	—	—	4,361
—	—	—	28,900
—	—	—	632
2	6	68,662	333,141
(33,787)	(61,585)	(24,937)	(310,071)
(33,785)	(50,558)	44,371	119,992
66,040	71,553	19,982	432,420
1,155,737	774,193	456,054	4,530,613
—	—	(136)	2,931
1,155,737	774,193	455,918	4,533,544
—	—	—	(413)
$ 1,221,777	$ 845,746	$ 475,900	$ 4,965,551

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(amounts expressed in thousands)

Net change in fund balances - total governmental funds		$ 432,420
Amounts reported for governmental activities in the Statement of Activities are different due to:		
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, these costs are allocated as depreciation expense over the useful life of the capital asset. Capital outlays exceeded depreciation expense in the current year by the following amount (Note 5):		
Capital outlay	$ 611,539	
Depreciation expense and amortization	(254,930)	356,609
Miscellaneous transactions involving capital assets such as sales (gain/loss) and donations are reported in the Statement of Activities, but only proceeds from sales are reported in the governmental funds.		(542)
Revenues reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.		34,712
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.		(33,261)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and central computer services, to individual governmental funds. Internal service funds are reported separately from governmental funds in the fund financial statements. In the government-wide statements, internal service funds are included with governmental activities.		32,892
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. Some expenditures reported in the governmental funds either increase or decrease items reported in the Statement of Net Position.		(170,418)
Change in net position - governmental activities		$ 652,412

The notes to the financial statements are an integral part of this statement.

STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020
(amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -
	UNEMPLOYMENT INSURANCE	MUNICIPAL FINANCE PROGRAMS	NONMAJOR	TOTAL	INTERNAL SERVICE FUNDS
ASSETS					
Current assets:					
Cash/cash equivalents (Note 3)	$ 248,066	$ 26,546	$ 140,966	$ 415,578	$ 223,048
Receivables (net) (Note 4)	4,478	8,029	35,770	48,277	11,691
Interfund loans receivable (Note 12)	—	—	61	61	—
Due from other governments	16,745	—	—	16,745	10
Due from other funds (Note 12)	—	3,338	—	3,338	109
Due from component units	—	1,525	—	1,525	9
Inventories	—	—	4,424	4,424	4,933
Short-term investments (Note 3)	—	146	—	146	—
Securities lending collateral (Note 3)	—	—	339	339	386
Other current assets	—	—	370	370	565
Total current assets	269,289	39,584	181,930	490,803	240,751
Noncurrent assets:					
Advances to other funds (Note 12)	—	7,008	—	7,008	—
Advances to component units	—	9,892	—	9,892	—
Long-term investments (Note 3)	—	564	20,659	21,223	23,715
Long-term notes/loans receivable	2,266	39,703	—	41,969	—
Other long-term assets	—	—	1,395	1,395	—
Capital assets (Note 5):					
Land	—	—	800	800	—
Land improvements	—	—	3,830	3,830	95
Buildings/improvements	—	—	16,379	16,379	6,069
Equipment	—	4	9,806	9,810	264,670
Infrastructure	—	—	1,175	1,175	—
Construction work in progress	—	—	2,361	2,361	4,397
Intangible assets	—	—	1,521	1,521	551
Other capital assets	—	—	3,770	3,770	—
Less accumulated depreciation	—	(3)	(17,591)	(17,594)	(170,266)
Total capital assets	—	1	22,051	22,052	105,516
Total noncurrent assets	2,266	57,168	44,105	103,539	129,231
Total assets	271,555	96,752	226,035	594,342	369,982
DEFERRED OUTFLOWS OF RESOURCES (Note 4)	—	51	2,372	2,423	9,975

STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020
(amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -
	UNEMPLOYMENT INSURANCE	MUNICIPAL FINANCE PROGRAMS	NONMAJOR	TOTAL	INTERNAL SERVICE FUNDS
LIABILITIES					
Current liabilities:					
Accounts payable (Note 4)	$ 29,005	$ 343	$ 20,613	$ 49,961	$ 16,999
Lottery prizes payable	—	—	2,173	2,173	—
Interfund loans payable (Note 12)	1,500	—	80	1,580	277
Due to other governments	—	—	248	248	—
Due to other funds (Note 12)	—	—	16,324	16,324	1,924
Unearned revenue	2,621	—	2,759	5,380	1,264
Lease/installment purchase payable (Note 10)	—	1	10	11	2,866
Short-term debt (Note 11)	—	90,670	—	90,670	—
Bonds/notes payable - net (Note 11)	—	—	—	—	167
Amounts held in custody for others	—	—	31	31	494
Securities lending liability (Note 3)	—	—	339	339	386
Estimated insurance claims (Note 8)	—	—	12,942	12,942	39,209
Compensated absences payable (Note 11)	—	32	828	860	3,730
Total current liabilities	33,126	91,046	56,347	180,519	67,316
Noncurrent liabilities:					
Lottery prizes payable	—	—	979	979	—
Advances from other funds (Note 12)	—	—	—	—	5,407
Lease/installment purchase payable (Note 10)	—	1	14	15	4,170
Bonds/notes payable - net (Note 11)	—	—	—	—	243
Estimated insurance claims (Note 8)	—	—	4,581	4,581	33,608
Compensated absences payable (Note 11)	—	23	1,334	1,357	4,620
Arbitrage rebate tax payable (Note 11)	—	22	—	22	—
Net pension liability (Note 6)	—	269	11,241	11,510	52,221
Total OPEB liability (Note 7)	—	14	803	817	2,795
Total noncurrent liabilities	—	329	18,952	19,281	103,064
Total liabilities	33,126	91,375	75,299	199,800	170,380
DEFERRED INFLOWS OF RESOURCES (Note 4)	—	57	3,588	3,645	11,142
NET POSITION					
Net investment in capital assets	—	1	22,034	22,035	91,167
Restricted for:					
Unemployment compensation	238,429	—	—	238,429	—
Other purposes	—	274	111,606	111,880	—
Unrestricted	—	5,096	15,880	20,976	107,268
Total net position	$ 238,429	$ 5,371	$ 149,520	$ 393,320	$ 198,435

The notes to the financial statements are an integral part of this statement.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -
	UNEMPLOYMENT INSURANCE	MUNICIPAL FINANCE PROGRAMS	NONMAJOR	TOTAL	INTERNAL SERVICE FUNDS
Operating revenues:					
Charges for services	$ 126	$ 7	$ 196,619	$ 196,752	$ 160,006
Investment earnings	8,549	441	3,210	12,200	3,421
Securities lending income	—	—	4	4	6
Financing income	—	2,041	—	2,041	—
Contributions/premiums	119,397	—	125,820	245,217	227,049
Grants/contracts/donations	7,839	—	49,221	57,060	5,504
Other operating revenues	—	—	9,088	9,088	12,023
Total operating revenues	135,911	2,489	383,962	522,362	408,009
Operating expenses:					
Personal services	—	282	17,653	17,935	71,822
Contractual services	—	54	22,834	22,888	39,424
Supplies/materials	—	7	99,872	99,879	21,301
Benefits/claims	745,250	—	149,459	894,709	222,488
Depreciation	—	—	875	875	14,672
Amortization	—	—	541	541	541
Utilities/rent	—	53	1,119	1,172	7,608
Communications	—	8	971	979	11,376
Travel	—	2	249	251	469
Repairs/maintenance	—	—	1,437	1,437	27,904
Grants	—	—	—	—	230
Lottery prize payments	—	—	36,766	36,766	—
Securities lending expense	—	—	2	2	3
Arbitrage rebate tax	—	72	—	72	—
Interest expense	—	2,008	8	2,016	433
Other operating expenses	1,258	56	3,078	4,392	5,830
Total operating expenses	746,508	2,542	334,864	1,083,914	424,101
Operating income (loss)	(610,597)	(53)	49,098	(561,552)	(16,092)
Nonoperating revenues (expenses):					
Tax revenues (Note 1)	—	—	32,576	32,576	—
Grant revenue	496,499	—	—	496,499	—
Insurance proceeds	—	—	—	—	261
Gain (loss) on sale of capital assets	—	—	44	44	(48)
Federal indirect cost recoveries	—	—	225	225	13,478
Increase (decrease) value of livestock	—	—	(353)	(353)	—
Total nonoperating revenues (expenses)	496,499	—	32,492	528,991	13,691
Income (loss) before contributions and transfers	(114,098)	(53)	81,590	(32,561)	(2,401)
Capital contributions	—	—	1,184	1,184	107
Transfers in (Note 12)	—	—	458	458	36,137
Transfers out (Note 12)	—	—	(59,394)	(59,394)	(944)
Change in net position	(114,098)	(53)	23,838	(90,313)	32,899
Total net position - July 1 - as previously reported	351,527	5,413	125,628	482,568	165,979
Adjustments to beginning net position (Note 2)	1,000	11	54	1,065	(443)
Total net position - July 1 - as adjusted	352,527	5,424	125,682	483,633	165,536
Total net position - June 30	$ 238,429	$ 5,371	$ 149,520	$ 393,320	$ 198,435

The notes to the financial statements are an integral part of this statement.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNEMPLOYMENT INSURANCE	MUNICIPAL FINANCE PROGRAMS	NONMAJOR	TOTAL	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipt from sales and service	$ 149,412	$ 7	$ 315,932	$ 465,351	$ 385,267
Payments to suppliers for goods and services	(3,499)	(248)	(120,966)	(124,713)	(111,093)
Payments to employees	—	(384)	(17,385)	(17,769)	(70,040)
Grant receipts (expenses)	7,830	—	49,381	57,211	5,261
Cash payments for claims	(744,996)	—	(149,826)	(894,822)	(184,467)
Cash payments for prizes	—	—	(37,048)	(37,048)	—
Other operating revenues	—	—	9,311	9,311	25,499
Other operating payments	(1,258)	—	(2,894)	(4,152)	(5,830)
Net cash provided by (used for) operating activities	(592,511)	(625)	46,505	(546,631)	44,597
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Collection of taxes	—	—	32,576	32,576	—
Transfer to other funds	—	—	(62,239)	(62,239)	(944)
Transfer from other funds	—	—	457	457	36,142
Proceeds from interfund loans/advances	1,485	—	102	1,587	2,342
Payment of interfund loans and advances	—	—	(61)	(61)	—
Payment of principal and interest on bonds and notes	—	(16,756)	(8)	(16,764)	(728)
Grant receipt	479,806	—	—	479,806	—
Net cash provided by (used for) noncapital financing activities	481,291	(16,756)	(29,173)	435,362	36,812
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from insurance	—	—	—	—	262
Acquisition of capital assets	—	—	(2,238)	(2,238)	(12,656)
Proceeds from sale of capital assets	—	—	927	927	916
Net cash provided by (used for) capital and related financing activities	—	—	(1,311)	(1,311)	(11,478)
CASH FLOWS FROM INVESTING ACTIVITIES					
Sale (purchase) of investments	—	(5,546)	2,581	(2,965)	10,998
Proceeds (loss) on sales or maturities of investments	—	8,218	—	8,218	—
Proceeds (loss) from securities lending transactions/ investments	—	—	4	4	6
Interest and dividends on investments	11,306	455	3,230	14,991	3,421
Payment of securities lending costs	—	—	(3)	(3)	(3)
Collections of principal and interest on loans	—	42,169	—	42,169	—
Cash payment for loans	—	(29,093)	—	(29,093)	—
Net cash provided by (used for) investing activities	11,306	16,203	5,812	33,321	14,422
Net increase (decrease) in cash and cash equivalents	(99,914)	(1,178)	21,833	(79,259)	84,353
Cash and cash equivalents, July 1	347,980	27,724	119,133	494,837	138,695
Cash and cash equivalents, June 30	$ 248,066	$ 26,546	$ 140,966	$ 415,578	$ 223,048

The notes to the financial statements are an integral part of this statement.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
	UNEMPLOYMENT INSURANCE	MUNICIPAL FINANCE PROGRAMS	NONMAJOR	TOTAL	INTERNAL SERVICE FUNDS
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	$ (610,597)	$ (53)	$ 49,098	$ (561,552)	$ (16,092)
Adjustments to reconcile operating income to net cash provided for (used for) operating activities:					
Depreciation	—	—	875	875	14,672
Amortization	—	—	541	541	541
Securities lending expense	—	—	3	3	3
Investment earnings	(8,549)	(441)	(3,184)	(12,174)	(3,421)
Securities lending income	—	—	(4)	(4)	(6)
Financing income	—	(2,041)	—	(2,041)	—
Interest expense	—	2,008	8	2,016	432
Other revenue	—	—	225	225	13,476
Arbitrage rebate tax	—	(23)	—	(23)	—
Change in assets, deferred outflows, liabilities and deferred inflows:					
Decr (Incr) in accounts receivable	(1,498)	—	(5,165)	(6,663)	(2,637)
Decr (Incr) in due from other funds	—	—	2	2	(29)
Decr (Incr) in due from component units	—	—	—	—	54
Decr (Incr) in due from other governments	(9)	—	166	157	(7)
Decr (Incr) in inventories	—	—	599	599	(602)
Decr (Incr) in other assets	—	—	(2)	(2)	355
Incr (Decr) in accounts payable	25,521	16	2,807	28,344	2,651
Incr (Decr) in due to other funds	—	—	1,476	1,476	82
Incr (Decr) in due to other governments	—	—	135	135	—
Incr (Decr) in lottery prizes payable	—	—	(281)	(281)	—
Incr (Decr) in unearned revenue	2,621	—	555	3,176	(115)
Incr (Decr) in amounts held in custody for others	—	—	—	—	494
Incr (Decr) in compensated absences payable	—	(16)	210	194	580
Incr (Decr) in total OPEB liability	—	1	(155)	(154)	(394)
Incr (Decr) in estimated claims	—	—	(1,546)	(1,546)	37,760
Incr (Decr) in other payables	—	—	7	7	(4,419)
Incr (Decr) in net pension liability and related accounts	—	(76)	135	59	1,219
Net cash provided by (used for) operating activities	$ (592,511)	$ (625)	$ 46,505	$ (546,631)	$ 44,597
Schedule of noncash transactions:					
Capital asset acquisitions from contributed capital	$ —	$ —	$ 1,184	$ 1,184	$ 108
Incr (Decr) in fair value of investments	—	(9)	(905)	(914)	(1,050)
Total noncash transactions	$ —	$ (9)	$ 279	$ 270	$ (942)

The notes to the financial statements are an integral part of this statement.

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2020
(amounts expressed in thousands)

	PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS	INVESTMENT TRUST FUNDS	CUSTODIAL FUNDS
ASSETS				
Cash/cash equivalents (Note 3)	$ 130,602	$ 45,741	$ 1,705,734	$ 6,281
Receivables (net):				
Accounts receivable	22,235	—	—	668
Interest	65	—	809	—
Due from primary government	34,357	—	—	—
Due from other PERB plans	797	—	—	—
Long-term loans/notes receivable	9	—	—	—
Total receivables	57,463	—	809	668
Investments at fair value:				
Equity in pooled investments (Note 3)	11,658,386	—	13,139	—
Other investments (Note 3)	868,852	167,559	—	—
Total investments	12,527,238	167,559	13,139	—
Securities lending collateral (Note 3)	62,203	—	239	—
Capital Assets:				
Land	35	—	—	—
Buildings/improvements	973	—	—	—
Equipment	96	—	—	—
Accumulated depreciation	(281)	—	—	—
Intangible assets	5,309	—	—	—
Total capital assets	6,132	—	—	—
Other assets	—	34,835	—	2,540
Total assets	12,783,638	248,135	1,719,921	9,489
DEFERRED OUTFLOWS OF RESOURCES	359	—	—	—
LIABILITIES				
Accounts payable	1,247	21	780	672
Due to other PERB plans	797	—	—	—
Unearned revenue	369	—	—	—
Securities lending liability (Note 3)	62,203	—	239	—
Compensated absences payable	635	—	—	—
Net pension liability (Note 6)	1,488	—	—	—
Total OPEB liability (Note 7)	213	—	—	—
Total liabilities	66,952	21	1,019	672
DEFERRED INFLOWS OF RESOURCES	370	—	—	—
NET POSITION				
Restricted for:				
Pensions	12,136,708	—	—	—
Postemployment benefits other than pensions	579,967	—	—	—
Pool participants	—	—	1,718,902	—
Individuals, organizations, and other governments	—	248,114	—	8,817
Total net position	$ 12,716,675	$ 248,114	$ 1,718,902	$ 8,817

The notes to the financial statements are an integral part of this statement.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(amounts expressed in thousands)

	PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS	INVESTMENT TRUST FUNDS	CUSTODIAL FUNDS
ADDITIONS				
Contributions/premiums:				
Employer	$ 273,930	$ —	$ —	$ —
Employee	260,267	—	—	—
Other contributions	118,680	18,278	1,615,814	—
Investment earnings:				
Net increase in fair value of investments	405,201	(926)	1,304	—
Interest, dividends, and other	24,836	1	23,686	17
Securities lending income	1,349	—	3	—
Total investment earnings	431,386	(925)	24,993	17
Less investment costs:				
Administrative investment expense	64,071	—	—	—
Securities lending expense	719	—	2	—
Net investment earnings	366,596	(925)	24,991	17
Charges for services	786	—	—	—
Other additions and miscellaneous	905	9,160	—	51,943
Total additions	1,021,164	26,513	1,640,805	51,960
DEDUCTIONS				
Benefits	986,936	—	—	—
Refunds	22,878	—	—	—
Distributions	—	38,336	1,310,284	47,848
Administrative expenses	13,286	758	—	—
Local assistance	12	—	—	—
Transfers to MUS-RP	268	—	—	—
Transfers to PERS-DCRP	1,984	—	—	—
Total deductions	1,025,364	39,094	1,310,284	47,848
Change in net position	(4,200)	(12,581)	330,521	4,112
Net position - July 1 - as previously reported	12,720,859	287,288	1,388,381	—
Adjustments to beginning net position (Note 2)	16	(26,593)	—	4,705
Net position - July 1 - as adjusted	12,720,875	260,695	1,388,381	4,705
Net position - June 30	$ 12,716,675	$ 248,114	$ 1,718,902	$ 8,817

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements for the State of Montana (State) have been prepared in accordance with Generally Accepted Accounting Principles (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB).

A. Reporting Entity

For financial reporting purposes, the State includes funds that comprise the primary government and its component units. The component units are entities that the State is financially accountable for, or whose relationship with the State is such that exclusion would cause the State's financial statements to be misleading or incomplete. GASB has set forth criteria to be considered in determining financial accountability. This criterion includes appointing a voting majority of an organization's governing body, and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State.

Discretely Presented Component Units
These component units are entities that are legally separate from the State because they possess corporate powers, but are financially accountable to the State, or whose relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. Complete financial statements of the individual component units, which issue separate financial statements, can be obtained from their respective administrative offices. The condensed financial statements, presented in Note 18, include the financial data of the entities listed below.

Complete financial statements for each of the individual discretely presented component units may be obtained at the following addresses:

Montana Board of Housing
301 South Park, Room 240
PO Box 200528
Helena, MT 59620-0528

Montana State Fund
855 Front Street
PO Box 4759
Helena, MT 59604-4759

Facility Finance Authority
2401 Colonial Drive, 3rd Floor
PO Box 200506
Helena, MT 59620-0506

Universities and Colleges
Commissioner of Higher Education
560 North Park Ave, 4th Floor
PO Box 203201
Helena, MT 59620-3201

Montana Board of Housing (MBOH) – MBOH, which is a legally separate entity, is governed by a quasi-judicial board appointed by the Governor with the advice and consent of the Senate. The State of Montana has the ability to modify or approve: the budget, the rate or fee changes affecting revenues, and the ability to appoint, hire, reassign, or dismiss those responsible for the day-to-day operations of MBOH. It was created in 1975 to facilitate the availability of safe and affordable housing to persons and families of lower-income. MBOH issues negotiable notes and bonds to fulfill its purposes. The total amount of notes and bonds outstanding at any time may not exceed $1.5 billion. The discount price of bonds sold, not the face amount of the bonds, counts against this statutory ceiling. Neither the faith and credit nor taxing power of the State of Montana may be pledged for the amounts so issued. MBOH is attached to the Department of Commerce for administrative purposes only. MBOH is audited annually by the State's Legislative Audit Division.

Facility Finance Authority (FFA) – FFA, which is a legally separate entity, is governed by a quasi-judicial board appointed by the Governor with the advice and consent of the Senate. The State of Montana has the ability to modify or approve: the budget, the rate or fee changes affecting revenues, and the ability to appoint, hire, reassign, or dismiss those responsible for the day-to-day operations of FFA. FFA assists eligible, nonprofit Montana health care and other community-based service providers to obtain and maintain access to the broadest range of low-cost capital

financing as possible. FFA issues revenue bonds to fulfill its purposes. Neither the faith and credit or taxing power of the State of Montana may be pledged for the amounts so issued. FFA is attached to the Department of Commerce for administrative purposes only. Individual financial reports are issued every two years and are audited by the State’s Legislative Audit Division.

Montana State Fund (MSF) – MSF is a nonprofit, independent public corporation established under Title 39, Chapter 71 of the Montana Code Annotated (MCA). MSF provides Montana employers with an option for workers’ compensation and occupational disease insurance and guarantees available coverage for all employers in Montana. MSF is governed by a seven-member Board of Directors appointed by the Governor with the advice and consent of the Senate. This Board has full power, authority, and jurisdiction in the administration of MSF. MSF's results are included in the State's Comprehensive Annual Financial Report because of the significance of MSF's financial relationship with the State. MSF's board is allocated to the Department of Administration for administrative purposes only. MSF is reported on a calendar year basis and is audited annually by the State’s Legislative Audit Division and is also regulated by the Montana State Auditor's Office as an authorized insurer that is subject to the provisions of Title 33, Montana Insurance Code.

MSF functions as an autonomous insurance entity supported solely from its own revenues. All assets, debts, and obligations of MSF are separate and distinct from assets, debts, and obligations of the State of Montana. If MSF is dissolved by an act of law, the assets held by MSF are subject to the disposition provided by the Legislature enacting the dissolution with due regard given to obligations incurred and existing (Section 39-71-2322, MCA).

MSF handles the administration of the claims of Montana State Fund and State of Montana (Old Fund), including determining who a claimant is; what, if any, claims will be paid; and the amount of claims allowed to be paid. Old Fund covers workers’ compensation claims that were incurred before July 1, 1990, and is reported within the governmental activities of the primary government, on the government-wide financial statements.

Universities and Colleges – The Montana Constitution, Article X, Section 9, grants governance authority over the Montana University System (MUS) to the Board of Regents (Board), with seven members appointed by the Governor and confirmed by the Senate. All state funds appropriated by the Legislature to the Board for the support of the MUS are channeled through the Office of the Commissioner of Higher Education (OCHE). The Constitution charges the Board with hiring a Commissioner of Higher Education who serves as its executive staff. OCHE is the state-level administrative organization of the MUS.

The Board has responsibility for the following institutions: Montana State University - Bozeman and the units under it including Montana State University - Billings, Montana State University - Northern, and Great Falls College Montana State University; and University of Montana - Missoula and the units under it including Montana Technological University, University of Montana - Western, and Helena College University of Montana. All units are funded through state appropriations, tuition, federal grants, and private donations and grants. The universities are audited annually by the State’s Legislative Audit Division.

Though the following organizations perform functions related to the MUS, they are not considered part of Montana's reporting entity: (1) Community Colleges which are considered part of local units of government; (2) the Montana Higher Education Student Assistance Corporation, a private nonprofit corporation; and (3) the Student Assistance Foundation of Montana, a private nonprofit corporation. Entities such as local school districts and local authorities of various kinds are considered part of local units of government and have not been included. The state and federal support of local public education systems is reported in the General Fund, the State Special Revenue Fund, and the Federal Special Revenue Fund.

Fiduciary Fund Component Units

Complete financial statements for each of the individual fiduciary fund component units may be obtained at the following addresses:

Teachers’ Retirement System
100 North Park Avenue, Suite 110
PO Box 200139
Helena, MT 59620-0139

Public Employees’ Retirement Board
100 North Park Avenue, Suite 200
PO Box 200131
Helena, MT 59620-0131

Teachers' Retirement System (Pension Trust Fund) – This retirement plan is a legally separate entity with a board appointed by the Governor. Its purpose is to provide retirement, disability, death, and lump-sum payments to benefit recipients of Montana's public teaching profession. The plan is funded from employer and employee contributions, investment earnings, and the State's General Fund. The benefit payments and administrative costs of the Teachers' Retirement System are paid from the same funding sources. The system is audited annually by the State's Legislative Audit Division. Further detail related to the Teachers' Retirement System is provided in Note 6.

Public Employees' Retirement Board (Pension and Other Employee Benefit Trust Funds) – The Public Employees' Retirement Board (PERB) is appointed by the Governor and administers ten separate plans for the purpose of providing retirement, disability, death, and lump-sum payments to plan members. These legally separate plans include the Public Employees' Retirement Plan – Defined Benefit and Defined Contribution and the associated education funds; the Judges'; the Highway Patrol Officers'; the Sheriffs'; the Game Wardens' and Peace Officers'; the Municipal Police Officers'; the Firefighters' Unified Retirement Systems; the Volunteer Firefighters' Compensation Act; and the State of Montana Deferred Compensation Program (457 Plan) retirement plans. The board also administers an Other Post Employment Benefit (OPEB) disability plan on behalf of Public Employees' Retirement Plan-Defined Contribution members.

PERB is responsible for the ten separate public employee plans, which includes the Deferred Compensation Program, and a separate Other Post Employment Benefit plan. These are reported as pension and other employee benefit trust funds. The board is audited annually by the State's Legislative Audit Division. Further detail related to the PERB is provided in Note 6 and its OPEB plan information in Note 7.

B. Government-wide and Fund Financial Statements

The government-wide financial statements, Statement of Net Position and Statement of Activities, report information on all of the non-fiduciary activities of the State of Montana and its component units. For the most part, the impact of interfund activity has been removed from these statements. Governmental activities, which are normally supported by fees, taxes, and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the State of Montana is reported separately from certain legally separate component units for which the State is financially accountable.

The Statement of Activities demonstrates the degree to which program revenues offset the direct expenses of a function. Direct expenses are those that are clearly identifiable with a specific function. Certain indirect costs are included in the program expense reported for the individual functions and activities. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not meeting the definition of program revenues are reported as general revenues. The State does not allocate indirect expenses to functions in the Statement of Activities.

Separate fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and major individual enterprise funds are reported as separate columns in the fund financial statements. Fiduciary fund statements are reported only in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide, Proprietary, and Fiduciary Fund Financial Statements

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are reported when earned; expenses are recorded when a liability is incurred regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all of the eligibility requirements imposed by the provider are met.

As a general rule, material interfund revenues and expenses have been eliminated from the government-wide financial statements. These have not been eliminated where their elimination would distort the direct costs and program revenues of the functions involved.

Governmental Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are realizable, measurable, earned, and available. Revenue is considered realizable when it is probable the amount will be collected. Revenue is considered measurable and realizable if the precise amount is known because the transaction is completed, or if there is enough information to provide a reasonable estimate of the net realizable revenue to be received. Revenue is considered to have been earned when the exchange of goods or services has taken place. Revenue is considered to be available if it is collectible within the current period or soon enough thereafter, to pay liabilities of the current period. For this purpose, the State considers revenue available if it is expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures relating to compensated absences, claims, and judgments are recorded only when payment is due.

The major revenue sources considered susceptible to accrual are licenses and permits, natural resource taxes, individual income taxes, corporate income taxes, property taxes, fuel taxes, and certain federal revenues (reimbursable grants and U.S. mineral royalties). All other revenue is considered to be measurable and available when the cash is received.

Fund Financial Statements

The State uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

The financial activities of the State of Montana are classified into fund categories as described below:

Governmental Funds

General Fund – To account for all governmental financial resources, except those required to be accounted for in another fund.

Special Revenue Funds – To account for the proceeds of specific revenue sources restricted to expenditure for specified purposes other than major capital projects. (1) The State Special Revenue Fund accounts for activities funded from state resources used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Several funds are defined in statute as Permanent Funds, however per GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54), these funds should be reported within the State Special Revenue Fund. The respective effect on fund balance is approximately a $95.8 million increase. One specific fund is defined in statute as a Federal Special Revenue Fund; however, per GASB 54, this fund should be reported within the State Special Revenue Fund. The respective effect on fund balance is approximately a $27.2 million increase. (2) The Federal Special Revenue Fund accounts for activities funded from federal sources used in the operation of state government.

Debt Service Funds – To account for resources accumulated for payment of principal and interest on general long-term obligation debt.

Capital Projects Funds – To account for resources used for the acquisition or construction of major capital facilities, other than those financed by proprietary or trust funds.

Permanent Funds – To account for resources that are permanently restricted to the extent that only earnings, not principal, may be used to support the government's programs. Several funds are defined in statute as Permanent Funds, however per GASB 54 these funds should be reported within the State Special Revenue Fund.

Proprietary Funds

Enterprise Funds – To account for operations: (1) financed and operated similar to private business enterprises, where the intent of the Legislature is to finance or recover costs primarily through user charges; (2) where the Legislature has decided periodic determination of revenue earned, expenses incurred, or net income is appropriate; (3) where the activity is financed solely by a pledge of the net revenues from fees and charges of the activity; or (4) when laws or regulations require that the activities' costs of providing services, including capital costs, be recovered

with fees and charges rather than with taxes or similar revenues. The primary focus of fee revenues charged by enterprise funds is users outside of the primary government. One specific fund is defined in statute as an Enterprise Fund, however, per GASB 34, this fund should be reported within Internal Service Funds. The respective effect on net position is approximately a $5.2 million increase.

Internal Service Funds – To account for the financing of goods and services provided by one department or agency to other departments, agencies, or other governmental entities on a cost-reimbursement basis.

The State of Montana reports two employee group benefits funds. The MUS Group Insurance Fund primarily charges its fees to Montana State University and the University of Montana. The universities are reported as discretely presented component units, which the State considers to be external users, and as such, reports the MUS Group Insurance Fund as an enterprise fund. The Employee Group Benefits Fund charges its fees to funds of the primary government, and as such, is reported as an internal service fund.

Fiduciary Funds
Fiduciary Funds are used to account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations, or other governments. These assets cannot be used to support the government's own programs.

Pension (and Other Employee Benefit) Trust Funds – To account for resources that are required to be held in trust for the members and beneficiaries of the State's defined benefit plans, defined contribution plans, other retirement plans, and other post-employment benefit plan. Plan members receive retirement, disability, death, and lump-sum payments from the fund. Further detail related to the individual plans is provided in Note 6 and Note 7.

Private-Purpose Trust Funds –To account for assets held by the State in a trustee capacity, where both the principal and earnings benefit individuals, private organizations, or other governments. For example, unliquidated security bonds held on deposit from self-insured employers.

Investment Trust Fund – To account for the receipt of monies and the distribution of related investment earnings to local government agencies by the Montana Board of Investments for investment in the Short Term Investment Pool (STIP) and Trust Fund Investment Pool (TFIP).

Custodial Funds – To account for transactions related to assets held by the State as an agent for individuals, private organizations, and other governments. For example, monies belonging to one parent submitted by another as is the case with child support payments.

Major Governmental Funds
The General Fund is the State's primary operating fund, as previously defined.

The State Special Revenue Fund accounts for activities funded from state sources, which are restricted either legally or administratively for particular costs of an agency, program, or function.

The Federal Special Revenue Fund accounts for activities funded from federal sources used in the operation of state government.

The Coal Severance Tax Fund, created by Article IX, Section 5 of the Montana State Constitution, receives 50% of all coal tax collections. The principal in this fund can be expended only upon an affirmative vote of three-fourths of each house of the Legislature.

The Land Grant Permanent Fund accounts for lands granted to the State for support of public schools and state institutions.

Major Enterprise Funds
The Unemployment Insurance Fund accounts for employer contributions deposited with the Secretary of the Treasury of the United States to the credit of the State's unemployment trust fund. Unemployment benefits are paid from this fund to eligible recipients. For fiscal year 2020, federal and state contributions were also made to this fund due to increased claims related to the statewide unemployment impact of COVID-19.

The Board of Investments (BOI) Municipal Finance Programs Fund accounts for the programs created under the Municipal Finance Consolidation Act (MFCA) and the Economic Development Act. Primarily, this involves a MFCA revolving loan program that provides variable low interest rate loans to eligible Montana State agencies, universities, and local governments for a variety of projects statutorily defined. The funding for the revolving loan program is from the issuance of put bonds. The MFCA program also provides local government entities access to tax-exempt funds through the issuance of conduit (no-commitment) debt. In previous years this activity was referred to as the Economic Development Bonds Fund. Separately issued financial statements may be obtained by contacting the Montana Board of Investments, 2401 Colonial Drive, 3rd Floor, PO Box 200126, Helena, MT 59620-0126.

D. Proprietary Activity Accounting and Financial Reporting

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating.

E. Cash/Cash Equivalents

For all funds, cash and cash equivalents consist of amounts deposited in the State Treasurer's pooled cash account, cash deposits in checking accounts, cash invested in the Short Term Investment Pool (STIP), cash held by trustees, undeposited cash held by individual state agencies, and investments categorized as cash equivalents, which are short-term, highly liquid investments with original maturities of three months or less. Further detail related to cash and cash equivalents is provided in Note 3.

F. Receivables

This classification, net of estimated uncollectibles, consists primarily of receivables for goods sold and services provided, short-term loans and notes, interest and dividends, taxes due within 60 days of fiscal year-end, and income, withholding, and inheritance taxes that are past due. An allowance for uncollectible taxes is provided based upon historical analysis. Further detail related to receivables is provided in Note 4.

G. Inventories

Inventories of materials and supplies are reported at cost. The State allows agencies to use any generally accepted inventory pricing method but specifies the first-in, first-out method generally to be appropriate for most agencies. Governmental funds use the "purchase method," meaning inventory purchases are recorded as expenditures. At fiscal year-end, inventory balances are shown as nonspendable, indicating they do not constitute available expendable resources. Proprietary and fiduciary funds report using the "consumption method," meaning inventories are expensed as used.

H. Equity in Pooled Investments

To account for equity in pooled investments, BOI uses one internal investment pool and one external investment pool. The internal investment pool is the Consolidated Asset Pension Pool (CAPP). The State's nine defined benefit pension trust funds are the only participants in CAPP. The external investment pool is the Trust Funds Investment Pool (TFIP). State agencies and qualifying local governments can participate in TFIP. Current State agency TFIP participation is within the enterprise funds, internal service funds, permanent funds, investment trust funds, Montana University System Units, and specific accounts established within the State and Federal Special Revenue Funds. The participant investments in the pools are reported at fair value in the assets within the individual funds. Further detail related to cash and cash equivalents and investments is provided in Note 3.

I. Investments

For agencies whose investment needs are not met by BOI's established investment pools, BOI provides separate investments, which are combined and reported as Separately Managed Accounts (SMA). SMA participants have direct fixed income, equity, and Montana mortgage and loan investments. SMA investments are reported at fair value. Certain securities including asset-backed securities, variable-rate instruments, zero-coupon bonds, preferred

stocks, and mortgage-backed securities are purchased for portfolio diversification and a competitive rate of return. Other State agencies, on a limited basis by statute, may administer other long-term investments. Most investments are reported at fair value on the Statement of Net Position. Further detail related to investments is provided in Note 3.

J. Capital Assets

Capital asset valuation is based on actual historical cost or, in the case of donations, acquisition value. General government infrastructure capital assets are capitalized and reported on the government-wide financial statements. Infrastructure assets of proprietary funds are capitalized on the fund financial statements. Interest incurred during the construction of capital assets for proprietary funds is capitalized. Interest incurred during the construction of capital assets for higher education component units is expensed. The State has chosen to use the depreciation approach for infrastructure assets. The State is reporting accumulated depreciation on the Statement of Net Position and depreciation expense on the Statement of Activities for these assets. Further detail related to capital assets is provided in Note 5.

Capital assets in proprietary, private-purpose trust, and pension trust funds are accounted for within their respective funds and are depreciated or amortized on their fund financial statements. Capital assets in governmental funds are accounted for in the governmental activities of the government-wide financial statements, as is the associated depreciation and amortization. Depreciation is on a straight-line basis with estimated useful lives of 25 to 60 years for buildings, 10 to 50 years for infrastructure, 7 to 20 years for building improvements, and 3 to 10 years for equipment. State agencies are also required to extend or shorten the useful lives of capital assets to reflect their actual experience or industry standards when appropriate. Amortization is on a straight-line basis with estimated useful lives of 4 years for software (internally and externally generated), 30 years for land use rights, and 20 years for other intangibles.

The capitalization limit for buildings and building/land improvements is $25,000. The capitalization threshold for infrastructure and internally-generated software is $500,000. The capitalization threshold for intangible assets is $100,000. The capitalization limit for other capital assets is $5,000. Agencies are allowed to capitalize additions to collections and land acquisitions at any cost. Purchases under these thresholds are recorded as expenditures/expenses in the current period.

K. Deferred Outflows, Deferred Inflows, and Unearned Revenue

A deferred outflow of resources is a consumption of net assets by the government that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net assets by the government that is applicable to a future reporting period. Deferred outflows and inflows of resources may include financial transactions related to refunding debt, non-exchange transactions, derivative investment, OPEB, and pension related components and are reported on the government-wide, proprietary fund, and fiduciary fund financial statements. Additionally, deferred inflows of resources may include financial transactions related to unavailable revenue on the governmental fund financial statements. Unavailable revenue is reported when assets are recognized, but those assets are not considered available to pay liabilities of the current period. Unearned revenue, which is neither a deferred outflow of resources nor a deferred inflow of resources, is recognized as a liability on government-wide, governmental and proprietary fund financial statements. Further detail related to deferred outflows of resources and deferred inflows of resources is provided in Note 4.

L. Long-term Obligations

Long-term obligations expected to be financed from governmental funds are reported on the government-wide financial statements. Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from current expendable available financial resources is reported as a fund liability of a governmental fund on the fund financial statements. The remaining portion of such obligations is reported on the government-wide financial statements. Long-term liabilities expected to be financed from proprietary and fiduciary fund operations are accounted for in those funds. Further detail related to leases/installment purchases payable and long-term liabilities is provided in Note 10 and Note 11, respectively.

M. Capital Leases

A capital lease is a lease that transfers benefits and risks of ownership to the lessee. At the inception of a capital lease, on the government-wide, proprietary fund, and fiduciary fund financial statements, a capital asset and a capital lease liability are recorded at the present value of the future minimum lease payments. On the governmental fund financial statements no asset or liability is recorded related to assets under capital leases. Rather, on the governmental fund financial statements, at the inception of a capital lease, capital outlay expenditures, and other financing sources (inception of lease/installment contract) are recorded at the net present value of the minimum lease payments. Further detail related to capital leases is provided in Note 10.

N. Bond Discounts/Premiums/Issuance Costs

Bond premiums and discounts, as well as issuance costs, are recognized in the period they are incurred. Bond proceeds and bond premiums are reported as an other financing source, and bond discounts are reported as an other financing use. Issuance costs are reported as debt service expenditures whether or not they are withheld from the bond proceeds. Bonds payable are recorded net of any applicable premium or discount. Further detail related to long-term debt is provided in Note 11.

O. Compensated Absences

Full-time state employees earn vacation leave ranging from 15 to 24 days per year depending on the individual's years of service. Teachers employed by the State do not receive vacation leave. Vacation leave may be accumulated and carried over from one year to the next. The carryover is limited to two times the maximum number of days earned annually. Sick leave is earned at the rate of 12 days per year with no limit on accumulation. Each contribution year, an employee may contribute a maximum of 80 hours of sick or annual leave to a nonrefundable sick leave pool. Excess annual leave that is being forfeited can also be contributed, with no maximum contribution. The adjusted ending balance of the pool for June 30, 2019, was 17,412 hours. For fiscal year 2020, 1,562 sick leave hours, 703 annual leave hours, and 2,428 excess annual leave hours were contributed to the sick leave pool, and 5,227 hours were withdrawn, leaving a balance of 16,879 hours in the pool. The liability associated with the pool is not reported in the accompanying financial statements because these hours are nonrefundable to contributors, except by grants approved through an application process.

Vested or accumulated leave for proprietary and fiduciary funds is recorded as an expense and liability of those funds in the fund financial statements. For governmental funds, the liability is not expected to be liquidated with expendable financial resources. The expenditure and liability for the governmental funds is reported only on the government-wide financial statements. Upon retirement or termination, an employee is paid for 100% of unused vacation leave and 25% of unused sick leave. Further detail related to compensated absences is provided in Note 11.

P. Nonexchange Financial Guarantee

BOI provides loan guarantees from the Coal Severance Tax Fund to the Facility Finance Authority (FFA), a discretely presented component unit of the State. BOI exposure to bond issues, surety bonds, and designated loans of the FFA totaled $88.3 million as of June 30, 2020. FFA guarantee requests are submitted to BOI for review and approval. BOI’s participation, either duration or any other consideration, to either purchase bonds or loans or to lend money for deposit into FFA’s statutorily allowed capital reserve account is explicitly limited by statute which requires BOI to act prudently. The guarantee requests from FFA pertain to bonds issued by FFA with a term of up to 40 years. BOI and FFA have entered into an agreement detailing repayment to BOI. BOI has not had to perform on any loan guarantee in the past.

Q. Fund Balance/Net Position

Fund Balance

The classifications for fund balance used for governmental funds are reported in two general classifications, nonspendable and spendable. Nonspendable represents the portion of fund balance that is legally or contractually required to remain intact or is not in spendable form such as inventories, and, in the General Fund, long-term notes and loans receivable. Spendable fund balance is further categorized as restricted, committed, assigned, and unassigned.

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by the State Constitution or external parties, such as the federal government, or through enabling legislation. For the purpose of determining restricted amounts, enabling legislation does not include commitments resulting from State legislation if these constraints can be removed or changed by a similar legislative action.
The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority, the State's Legislature, through legislation passed into law.

Amounts, in the assigned fund balance classification, are intended to be used by the government for specific purposes. Still they do not meet the criteria to be classified as restricted or committed. Assignments of fund balance are created by the executive branch. In governmental funds other than the General Fund, assigned fund balance also represents the remaining amount that is not restricted or committed. The assigned fund balance for the General Fund are encumbrances and assignments for the portion of current General Fund balance that is projected to be used to fund expenditures and other cash outflows in excess of the expected revenues and other cash inflows in fiscal years as needed. The projected spend down for fiscal year 2021 is $72.7 million; thus, a related assignment of fund balance is reported at 2020 fiscal year-end.

Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The State generally segregates restricted, committed, and assigned resources by account (sub-fund) within the governmental funds other than the General Fund. When resources meeting more than one of these spendable classifications are commingled in an account on the State's accounting system, the assumed order of spending is restricted first, committed second, and finally assigned. State statute requires non-General Fund money be spent first whenever possible so any related available unassigned balance would be spent last.

General Fund - Fund Balance
As of June 30, 2020, the State maintains a Budget Stabilization Reserve Fund as required by statute. For financial reporting purposes, this fund is combined with the General Fund as it does not meet the GASB 54 requirements to be a special revenue fund as the Legislature prescribed. The June 30, 2020, committed fund balance in the General Fund of $117.8 million, represents the Budget Stabilization Reserve Fund balance.

Additionally, statute provides a minimum fund balance amount as follows: Section 17-7-140, MCA, defines minimum ending fund balance and specifies the procedures that must be followed to make expenditure reductions or allow transfers from the Budget Stabilization Reserve Fund if a projected ending fund balance drops below minimum statutory requirements.

If the Budget Director determines that a deficit exists, statute requires reductions that must be made to assure that the projected ending fund balance complies with the minimum ending fund balance of General Fund appropriations for the biennium. Under circumstances when a deficit of this level is projected during a biennium, the Governor may direct reductions from any General Fund expenditure not exempted by Section 17-7-140, MCA, including House Bill (HB) 2 (the State's main appropriation bill), any other appropriation bills, statutory appropriations, or language appropriations. Reductions may not exceed 10% of General Fund appropriations for any single "program," as defined in HB 2. If a program has more than one appropriation, the reduction for one or more of the appropriations may exceed 10% as long as the reduction for the program as a whole does not exceed 10%.

The Legislative and Judicial branches, the Montana School for the Deaf and Blind, principal and interest on State debt, salaries of elected officials, and public school BASE funding are exempt, statutorily, from reductions. These exemptions shield approximately one-third of General Fund appropriations from reduction. Of the remaining expenditures, the Governor may not direct executive agencies headed by elected officials or the Board of Regents to reduce their expenditures by more than the average reduction percentage imposed upon all other executive branch agencies.

Net Position
In funds other than governmental, net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The net investment in the capital assets portion of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions, enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The government-wide Statement of Net Position reported restricted net position of $3.8 billion.

Certain investments of the Municipal Finance Programs Fund are classified as restricted net position on the Statement of Fund Net Position for proprietary funds because applicable bond indenture agreements limit their use. Net position associated with the Unemployment Insurance Fund is also classified as restricted.

R. Property and Income Taxes

Real property taxes are normally levied in October and are usually payable in two installments on November 30 and May 31. These taxes attach as an enforceable lien immediately if not paid when due.

Personal property tax levies are set each August, and notices are normally mailed the following March or April. Half of mobile home taxes are due in 30 days and the remaining half on September 30. Taxes on all other types of personal property are to be paid in full 30 days after receipt of the notice. Property tax payments are recognized as deferred inflows of resources if received prior to levy or availability.

Personal property taxes attach as an enforceable lien immediately if not paid when due. Each of Montana's 56 counties collect property taxes. The counties then remit the State's portion to the State Treasury. The majority of these taxes help fund public school systems and higher education.

Calendar year 2019 State income tax filing deadline, normally April 15th of the subsequent year, was delayed to July 15, 2020 due to COVID-19. The State has determined that extending the income tax filing deadline did not have a material adverse effect on the State's liquidity for fiscal year 2020, nor will it in fiscal year 2021.

S. Other Taxes

On the Statement of Activities, the revenue category “Other Taxes” consists of the following taxes (in thousands):

	General Fund	State Special Revenue	Other Governmental Funds	Business-Type Funds	Total
Accommodations	$ 24,637	$ 34,417	$ 2,930	$ 19	$ 62,003
Agriculture	—	10,625	—	—	10,625
Car rental	4,113	1,371	—	—	5,484
Cigarette/tobacco/etc.	32,745	45,158	1,556	—	79,459
Contractors gross receipts	6,729	—	—	—	6,729
Energy tax	7,235	40	—	—	7,275
Fire protection	—	3,686	—	—	3,686
Insurance premium	82,452	37,221	—	—	119,673
Light vehicle registration	44	5,085	—	—	5,129
Liquor tax	5,686	2,282	—	32,557	40,525
Livestock	—	4,991	—	—	4,991
Other taxes	143	1,744	—	—	1,887
Public service commission	—	5,249	—	—	5,249
Railroad car companies	4,293	—	—	—	4,293
Telephone license	11,581	—	—	—	11,581
Video gaming	57,447	6	—	—	57,453
Total other taxes	$ 237,105	$ 151,875	$ 4,486	$ 32,576	$ 426,042

T. Tax Abatement

In the Montana Board of Investment's (BOI) Commercial Loan Program within the SMA, by statute, the infrastructure loan program is funded by an $80.0 million allocation. Eligible local governments request a loan for constructing or purchasing infrastructure to be used by a basic sector business. The basic sector business will pay a user fee to the local government that is pledged to BOI for the loan repayment. BOI reviews each loan, and only upon verification that the entities meet the loan requirements is the loan approved by BOI. The local government entity must pass a resolution authorizing the acceptance of the commitment agreement. BOI indemnifies the local government regarding repayment of the loan.

The basic sector business must create at least 15 full-time basic sector jobs to be eligible for the program. The maximum loan size is $16.7 thousand times the number of full-time jobs created and the minimum loan size is $250.0 thousand. The maximum loan term is 25 years. There is also up to a 2.5% interest rate reduction for job creation. The reduction will be reflected in the user fee rate charged to the basic sector business upon BOI review and approval. The basic sector business must create the required jobs within four years of the agreement. If the basic sector business does not create the required jobs within the four-year period, then the basic sector business must pay down the loan balance of the local government entity until the loan balance matches the eligible amount per the jobs created. BOI may increase the interest rate commensurate with the number of jobs eliminated if the borrower eliminates 10 or more qualifying jobs. The basic sector business must annually provide payroll documentation to BOI.

Pursuant to statute, a business that is created or expanded as the result of an Infrastructure Loan is entitled to a credit against either their State individual income taxes or corporate income taxes for the portion of the fees attributable to the use of the infrastructure. The total amount of tax credit claimed may not exceed the amount of the loan. The credit may be carried forward for seven years or carried back for three years.

During the fiscal year ended June 30, 2020, basic sector business entities made total user fee payments of $8.9 million, representing $7.5 million of principal and $1.4 million in interest. During the fiscal year ended June 30, 2020, a total of $14.0 million was claimed as a credit against State individual and corporation tax. The following table details the fiscal year 2020 credit claimed by tax type and the tax year it was applied against (in thousands):

Infrastructure Credit Claimed

	Tax Year 2019	Tax Year 2018	Total
Corporate income tax	$ —	$ 1,159	$ 1,159
Individual income tax	6,476	6,320	12,796
Total amount claimed	$ 6,476	$ 7,479	$ 13,955

U. Irrevocable Split Interest Agreements

Irrevocable split-interest agreements are used by donors to provide resources to two or more beneficiaries, including governments. These agreements can be created through trusts or other legally enforceable agreements with characteristics that are equivalent to irrevocable split-interest agreements. The University of Montana campuses have three irrevocable split interest agreements during the fiscal year ended June 30, 2020. Further detail related to these agreements is provided in Note 3.

NOTE 2. OTHER ACCOUNTING CHANGES

A. New Accounting Guidance Implemented

For the year ended June 30, 2020, the State of Montana implemented the provisions of GASB Statement No. 84, *Fiduciary Activities* (GASB 84). The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes. This Statement establishes criteria for identifying fiduciary activities, while outlining reporting responsibilities of fiduciary funds in state and local governmental accounting. This Statement is designed to enhance consistency and comparability of information reported in financial statements for assessing government accountability and stewardship.

For the year ended June 30, 2020, the State of Montana implemented the provisions of GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No.14 and No. 60* (GASB 90). The objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government is holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment or permanent fund. This Statement will improve financial reporting by providing users of financial statements with essential information related to presentation of majority equity interests in legally separate organizations.

For the year ended June 30, 2020, the State of Montana implemented the provisions of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* (GASB 95). The objective of this Statement is to provide temporary relief in the form of delayed effective reporting periods for upcoming GASB pronouncements known to affect governmental financial statements. Guidance addressed in this Statement will help to safeguard the reliability of financial statements, which in turn will benefit the users of the financial statements.

For the year ended June 30, 2020, the State of Montana implemented the provisions of GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* (GASB 97). The primary objectives of this Statement are to increase consistency and comparability related to the reporting of fiduciary component units; mitigate costs associated with financial reporting; enhance relevance, consistency, and comparability of financial reporting. The requirements of this Statement will result in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans.

B. Adjustments to Beginning Net Position

GASB Statement No. 84, *Fiduciary Activities* (GASB 84), requires a retroactive restatement of financial statements for all prior periods presented, though primarily affects the Fiduciary Fund Financial Statements. If restatement for prior periods is not practicable, the cumulative effect of applying GASB 84 is presented as a restatement of beginning net position for the earliest period restated. In accordance with GASB 84, the State of Montana reclassified various fund activities and restated the beginning net position as follows. Some enterprise funds, previous private-purpose trust funds, and agency funds were reclassified as custodial funds, creating an increase to beginning net position in the amount of $4.7 million. Some agency funds were reclassified to private-purpose trust funds, creating an increase to beginning net position in the amount of $2.4 million. Some previous private-purpose trust funds were reclassified to governmental funds and custodial funds, creating a decrease to beginning net position in the amount of $29.0 million.

NOTE 3. CASH/CASH EQUIVALENTS AND INVESTMENTS

This note details the following asset classifications (in thousands):

Cash/cash equivalents	$	6,051,526
Equity in pooled investments	$	14,307,148
Investments	$	3,427,444

Carrying amounts for the bank balance for cash deposits and fair values for the State's cash equivalents and investments are presented in Tables 1 through 4.

A. General

Outside of statutory requirements, the State does not maintain a statewide risk policy for cash/cash equivalents or investments, held outside of the Montana Board of Investments (BOI). The investment risk policy for State cash/ cash equivalents and investments including the BOI Municipal Finance Programs Fund deposits and investments managed by BOI, have been detailed below.

(1) BOI was created by the Legislature to manage the Unified Investment Program (UIP) established by the State Constitution. The UIP is comprised of involuntary participating state funds, including pensions, trusts, insurance, operating funds, and by statute voluntarily participating local government funds. BOI manages the UIP pursuant to the "Prudent Expert Principle" mandated by State law, which requires an investment manager to:

1. discharge the duties with the care, skill, prudence, and diligence, under the circumstances then prevailing, that a prudent person acting in a like capacity with the same resources and familiar with like matters exercises in the conduct of an enterprise of a like character with like aims;
2. diversify the holdings of each fund within the UIP to minimize the risk of loss and to maximize the rate of return unless, under the circumstances, it is clearly prudent not to do so; and
3. discharge the duties solely in the interest of and for the benefit of the funds forming the UIP.

BOI is not registered with the US Securities and Exchange Commission as an investment company. BOI's investment program is governed by Investment Policy Statements (IPS) approved by BOI.

Currently, only the nine retirement funds that participate in the Consolidated Asset Pension Pool (CAPP), the Defined Contribution Disability Plan, and the Montana State Fund (MSF) may invest in public corporate capital stock. Neither State law nor the State Constitution place restrictions on retirement fund investments. BOI approves a separate IPS for each pool and Separately Managed Accounts (SMA) participant, which provides BOI staff with a broad strategic framework under which the investments are managed. The IPS's also reflect BOI approved asset allocation ranges.

By statute, local government entities can voluntarily invest in the Short Term Investment Pool (STIP). By statute, with a qualifying event, local government entities may also voluntarily invest in the Trust Funds Investment Pool (TFIP).

As of June 30, 2020, BOI separately managed investments outside of the pools on behalf of participants. The investments are combined for reporting purposes in the SMA portion of the UIP. In prior years, the SMA portion of the UIP was referred to as Separately Managed Investments (SMI). SMA participants include the State Treasurer's Cash Fund, State agency insurance reserves, and other State agencies. SMA participation is at the discretion of BOI staff for State agencies allowed to participate in the UIP.

State agencies and local government entities may participate in one or more pools. By investing in pools, participants are provided broad diversification. State agencies may also have direct fixed income, equity, or loan investments. These investments are combined and reported as SMA.

Separately issued investment pool financial statements may be obtained by contacting:

Montana Board of Investments
2401 Colonial Drive, 3rd Floor
PO Box 200126
Helena, MT 59620-0126

BOI's separately issued UIP financial statements include the activity for MSF within SMA on a June 30, 2020, basis. MSF, a discretely presented component of the State, by statute, prepares separately issued financial statements on a calendar year-end basis. Due to the difference in reporting periods, there will be a variance between the note disclosures and the financial statements for cash/cash equivalents and investments.

(a) Cash and cash equivalents consist of funds deposited by individual funds in the State Treasurer's pooled cash account, cash deposits in checking accounts, cash invested in STIP, cash held by trustees, undeposited cash held by individual state agencies, and investments categorized as cash equivalents.

Cash deposited with the State Treasurer's pooled cash account is invested by BOI in short-term securities and other investments. Because these funds are immediately available to the individual funds, their investment in the pooled cash account is reported as a cash equivalent. BOI also manages STIP, which provides individual State agencies and local governments an opportunity to invest excess cash in a pool that is managed to preserve principal while providing 24-hour liquidity. Because these pooled funds are invested in short-term, highly liquid investments, the individual fund investments in the STIP are reported as a cash equivalent.

(b) Investment securities are reported by investment portfolio and type in Table 2 – Cash Equivalents, Table 3 – Equity in Pooled Investments, and Table 4 – Investments. Unrealized gains and losses are included as a component of investment income. Unrealized gains and losses are computed based on changes in the fair value of investments held from the beginning of the year, but unsold at the fiscal year-end. The net change in fair value of investments also consists of the realized gains or losses. Interest income is recognized when earned. Dividend income is recorded on the ex-dividend date.

Investments reported at fair value are on a trade date basis. Quoted market prices, when available, have been used to value investments. The fair values for securities that have no quoted market price represent estimated fair value. Alternative investment securities are valued using the most recent estimates of fair value from the investment managers. Fair value measurements are reviewed monthly, and third-party valuations are reviewed for reasonableness and compliance with approved price source authorization policy. BOI categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles as follows:

Level 1 – Quoted prices for identical assets or liabilities in active markets.
Level 2 – Prices determined using inputs, other than quoted prices included within Level 1, that are observable for an asset or liability, either directly or indirectly. These inputs can include quoted prices for similar assets or liabilities in active or inactive markets, or market-corroborated inputs.
Level 3 – Prices are determined using unobservable inputs, which generally results in BOI using the best information available and may include BOI's own data.

(c) Security Lending - BOI is authorized by law to lend its securities and has contracted with the custodial bank, to lend BOI's securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The custodial bank is required to maintain collateral equal to 102% of the fair value of domestic securities and 105% of the fair value of international securities while the securities are on loan. On any day, including June 30th, the markets may move in a positive or negative direction resulting in under or over collateralization. The custodial bank compensates for market movement by recalculating on the following business day to meet the collateralization requirements. BOI and the custodial bank split the earnings 80% and 20% respectively, on securities lending activities. BOI retains all rights and risks of ownership during the loan period. The custodial bank indemnifies BOI's credit risk exposure to the borrowers.

During fiscal year 2020, the custodial bank loaned BOI's public securities and received as collateral either: US dollar cash; US government and government sponsored agency securities; US corporate debt securities and

structured securities rated AA-/Aa3 or higher; sovereign debt securities of the Group of Ten nations; and debt securities issued by certain supranational agencies. The custodial bank does not have the ability to sell collateral securities unless the borrower defaults.

BOI imposed no restrictions on the amount of securities available to lend during fiscal year 2020. However, STIP assets are currently not available for securities lending. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the period that resulted in a declaration and notice of default of the borrower. There were no losses during fiscal year 2020 resulting from a borrower default. As of June 30, 2020, no securities were recalled and not yet returned.

The cash collateral received for each loan was invested, together with the cash collateral of other qualified plan lenders, in an investment fund, the Navigator Securities Lending Government Money Market (Navigator) portfolio.

BOI and the borrowers maintain the right to terminate all securities lending transactions on notice. Because the securities lending transactions were terminable at will, their duration did not generally match the duration of the investments made with the cash collateral received from the borrower. The Navigator portfolio had an average duration of 28 days and the average weighted final maturity of 91 days.

(d) Investment Pools and Separately Managed Accounts (SMA) are described in the following paragraphs.

Consolidated Asset Pension Pool (CAPP)
The CAPP IPS contain prescribed asset allocation ranges among the allowable asset classes and is subject to change as BOI adopts modifications. BOI annually affirms or revises the asset allocation ranges for the retirement plans. The CAPP IPS also contains investment objectives and guidelines for each underlying asset class, with a purpose of providing diversified exposure within the asset class in a prudent and cost-effective manner.

Due to a longer-term focus, CAPP's asset classes differ from other classes that are allowable for other programs. CAPP's underlying asset classes are as follows:

- Domestic Equities
- International Equities
- Private Investments
- Natural Resources
- Real Estate
- Core Fixed Income
- Non-Core Fixed Income
- Cash

The CAPP IPS is the only IPS that allows for investments that can be held in non-US securities in a foreign currency. Per the CAPP IPS, the Core Fixed Income Asset Class and Non-Core Asset Class sections have maximum restrictions that can be held. Currency exposures may be hedged, in a defensive manner, at the discretion of the active managers to preserve the U.S. dollar value of investments made.

As part of the asset allocation approved by the Board in November 2019, the Private Equity Pension Asset Class (PAC) is now referred to as the Private Investments PAC and the High Yield PAC is referred to as the Non-Core Fixed Income PAC. The assets within the U.S. Treasury Inflation Protected Securities (TIPS) PAC, Investment Grade PAC, Agency Mortgage Backed Securities PAC, U.S. Treasury and Agency PAC, Diversifying Strategies PAC, and Broad Fixed Income PAC were combined into the Core Fixed Income PAC. These changes were effective in December 2019. These changes did not have an impact on the underlying value of the securities within the impacted PAC’s.

Trust Funds Investment Pool (TFIP)
The TFIP IPS provides for a 10% portfolio limit for non-core fixed income securities. TFIP invests primarily in investment grade, U.S. dollar denominated fixed income securities. The portfolio has high yield and core real estate exposure.

Short Term Investment Pool (STIP)
The STIP IPS limits the concentration of credit risk exposure by limiting portfolio investment types to 3.0% in any issuer except for US Treasury and US Agency securities as well as any repurchase agreements with a financial institution.

STIP invests primarily in short-term, high quality, fixed income securities with a maximum maturity of 397 days or less. Variable securities shall have a maximum maturity of 2 years. STIP shall maintain a dollar-weighted average portfolio maturity of 60 days or less. STIP is managed to preserve principal while providing 24-hour liquidity for state agency and local government participants.

BOI maintains a reserve account that may be used to offset losses within the STIP portfolio. The STIP reserve for the year ending June 30, 2020, is detailed as follows:

STIP Reserve
(in thousands)

Beginning STIP Reserve	$	47,528
STIP Reserve activity		
Investment Earnings:		
Interest income		650
Transfer of daily STIP income		3,510
Recoveries from write-offs		846
Credit enhancement fees		157
Total STIP Reserve activity		5,163
Transfers to STIP		(127)
Total STIP Reserve activity		5,036
Ending STIP Reserve	$	52,564

Separately Managed Accounts (SMA)
SMA invests primarily in investment grade, U.S. dollar denominated fixed income securities and custodial bank interest bearing demand deposit account. However, one participant portfolio has exposure to core real estate and high yield fixed income. The SMA portfolio also includes Veteran's Home Loan mortgages (VHLM) and loans funded by the Coal Severance Tax Trust Fund, as authorized by statute.

(e) Investment Risk Disclosures are described in the following paragraphs, with more detail provided in later sections.

Custodial Credit Risk (Cash and Cash Equivalents and Investments Held at Custodial Bank)
Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, BOI will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Per policy, BOI's custodial bank must have bank ratings from at least two Nationally Recognized Statistical Rating Organizations (NRSROs) on an annual basis.

As of June 30, 2020, all the public securities as well as securities held by the separate public equity account managers were registered in the nominee name for BOI and held in the possession of BOI's custodial bank. The equity index funds, securities held at the State's depository bank, real estate, mortgage and loan investments were purchased and recorded in BOI's name. Commingled fund investments are registered in the name of BOI. Therefore, BOI is not subject to custodial credit risk.

Concentration of Credit Risk
Concentration of credit risk is the risk of loss attributable to the magnitude of any single investment per issuer name. Investments explicitly guaranteed by the US government are excluded from the concentration of credit risk requirements. Concentration of credit risk for 2020 is addressed within all IPS as set by BOI.

Credit Risk and Interest Rate Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Except for U.S. Government securities, the pools and SMA fixed income instruments have credit risk as measured by NRSRO ratings. Credit risk is contemplated for each individual portfolio in the IPS. Credit risk is managed by constraining portfolio purchases around investment grade NRSRO ratings as appropriate. The U.S. Government guarantees its securities directly or indirectly. Obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk and do not require disclosure of credit risk.

As of June 30, 2020, the CAPP's cash equivalents position held at its custodial bank, $193.5 million was held in unrated money market funds.

As a matter of STIP investment policy, BOI can only purchase securities from a pre-approved "Approved Issuer" list. By STIP policy, permitted money market investments include only SEC registered 2a-7 Institutional Money Market Funds that are considered "US Treasury" or "US Government" money market mutual funds according to the SEC regulations or short-term investment vehicle available through the custodial bank. As of June 30, 2020, all the STIP money market investments were in US Governmental money markets and $50 million was held on deposit in a short-term investment vehicle available through the custodial bank.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. BOI uses effective duration as a measure of interest rate risk for all fixed income portfolios. CAPP, TFIP, and SMA at fair value investments are categorized to disclose credit and interest rate risk for fixed income securities. Credit risk is disclosed using the weighted credit quality rating by investment type. Interest rate risk is disclosed using the weighted effective duration. NRSRO provides the credit ratings. According to the STIP investment policy, "The STIP portfolio will minimize interest rate risk by:

1. structuring the investment portfolio so securities mature to meet cash requirements for ongoing operations thereby normally avoiding the need to sell securities on the open market prior to maturity;
2. maintaining a dollar-weighted average portfolio maturity (WAM) of 60 days or less (for this purpose, the date to the next coupon reset date will be used for all floating or variable rate securities); and
3. STIP will maintain a reserve account."

CAPP, TFIP, STIP, and SMA may hold fixed and variable rate securities. Interest payments on variable securities are based on an underlying reference rate, for example, Secured Overnight Financing Rate (SOFR).

STIP investments at fair value are categorized to disclose credit risk and weighted average maturity (WAM) as of June 30, 2020. Credit risk reflects the weighted security quality rating by investment type as of the June 30 report date. Although the STIP investments have been rated by investment security type, STIP, as an external investment pool, has not been rated. STIP interest rate risk is determined using the WAM method. The WAM measure expresses investment time horizons (the time when investments are due or reset and payable in days, months, or years) weighted to reflect the dollar size of the individual investments within an investment type. Inclusive of cash and cash equivalents, the WAM averages 46 days for the portfolio. Based on their short weighted average maturity and the relative immaterial difference from their cost to fair value, BOI determined the cash equivalents have little discernible interest rate risk.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. BOI's foreign currency exposure by denomination and investment type are reported, in US dollars, at fair value and is limited to CAPP.

Other Policy Considerations

For other risk, BOI approves both the IPS and benchmark used for each portfolio. Per the CAPP IPS, the Core Fixed average duration will be maintained in a range within 20% of the benchmark duration. The Core Fixed Income PAC and Non-Core Fixed Income PAC average duration will be maintained in a range within 25% of the index duration. Per the TFIP IPS, the average duration will be maintained in a range within 20% of the benchmark duration. Interest rate risk for SMA is contemplated in each individual IPS and is managed by limiting the maturity of individual securities and/or matching liabilities to maturities per estimated cash flows.

Fair Value of Derivative Instruments
The UIP invests in, currency forward contracts, credit default swaps, index futures (long duration), rights and warrants which are classified as investment derivative instruments. The investment derivative instruments decreased in fair value for the fiscal year ended June 30, 2020, by $2.1 million. The contracts had a fair value of $152 thousand as of June 30, 2020. The notional amount of the contracts was $10.3 million.

(2) The BOI Municipal Finance Programs Fund deposits and investments are restricted by the bond trust indentures to the following: government and agency obligations, certificates of deposits, repurchase agreements, and investment agreements. The bond trust indenture addresses custodial credit risk, the concentration of credit risk, credit risk, interest rate, and credit quality risk, by detailing the permitted investments. BOI's STIP IPS details custodial credit risk, the concentration of credit risk, and credit risk. Deposits and investments must be made with Montana banks or in the STIP administered by BOI.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, BOI will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Per policy, BOI’s custodial bank’s rating from at least two Nationally Registered Statistical Ratings Organizations (NRSROs) is reviewed on an annual basis.

Cash – Custodial risk for cash is the risk that, in the event of the failure of the custodial bank, the cash or collateral securities may not be recovered from an outside party. The securities used as collateral are held by the trustee in the name of BOI.

Investments – As of June 30, 2020, the Municipal Finance Programs securities were recorded by the trustee in the name of BOI by specific account.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of any single investment per issuer name. The Municipal Finance Programs investments directly issued or explicitly guaranteed by the US government and investments in mutual funds are excluded from the concentration of credit risk requirement. The STIP investment policy limits the concentration of credit risk by limiting portfolio investment types to 3.0% in any issuer with the exception of US Treasury and US Agency securities, as well as, any repurchase agreements with a financial institution. As of June 30, 2020, STIP concentration risk was within the policy as set by BOI.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Municipal Finance Programs US government direct-backed securities, consisting of US Treasury notes and bills, are guaranteed directly by the US government. Obligations of the US government or obligations explicitly guaranteed by the US government are not considered to have credit risk and do not require disclosure of credit quality. Permitted investments, as described in the indenture, include, “Either (i) long term obligations of such bank, trust company or association are rated in one of the three highest investment category of the Standard & Poor’s Corporation or Moody’s Investor Service Inc., which investment category shall not be less than the prevailing rate on the bonds or (ii) the deposits are continuously secured as to principal, but only to the extent not insured by the Bank Insurance Fund or the Savings Association Insurance Fund, or any successor to either, of the Federal Deposit Insurance Corporation (FDIC).”

BOI’s STIP IPS specifies that STIP securities have a minimum of two credit ratings as provided by nationally recognized statistical rating organizations, to assist in the monitoring and management of credit risk. The purchase of STIP securities other than US government or US agency obligations is restricted to those who are pre-approved. Although the STIP investments have been rated by investment security type, STIP, as an external investment pool, has not been rated.

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Permitted investments, as described in the Indenture, details the allowable investments, including those in STIP. STIP interest rate risk is determined using the WAM method. According to the STIP IPS, “The STIP portfolio will minimize interest rate risk by:

1. structuring the investment portfolio so securities mature to meet cash requirements for ongoing operations, thereby normally avoiding the need to sell securities on the open market prior to maturity;
2. maintaining a dollar-weighted average portfolio maturity (WAM) of 60 days or less (for this purpose, the date to the next coupon reset date will be used for all floating or variable rate securities); and
3. STIP will maintain a reserve account."

The Municipal Finance Program investments are categorized to disclose credit and interest rate risk as of June 30, 2020. Credit risk is disclosed using the weighted credit quality rating by investment type. Interest rate risk is disclosed using weighted effective duration as calculated by BOI. The credit quality ratings have been calculated, excluding non-rated investment types. Both the credit quality ratings and duration have been calculated excluding cash equivalents, as BOI determined that these securities did not contain these risk elements. There were no derivative transactions during the 2020 fiscal year for investments held by the trustee.

B. Cash/Cash Equivalents

(1) Cash Deposits – The State requires collateralization based on the average daily bank balance in the depository bank holding the main state bank account. For other depository banks, state statutes require collateralization at 50.0% of the bank balance. The cash deposits amount includes both primary government and component unit deposits.

Table 1 – Cash Deposit Amounts
(in thousands)

	Carrying Amount
Cash held by State/State's agent	$ 77,974
Uninsured and uncollateralized cash	2,705
Undeposited cash	1,305
Cash in US Treasury	254,942
Cash in MSU component units	6,543
Cash in UM component units	12,195
Less: outstanding warrants	(27,368)
	$ 328,296

As of June 30, 2020, the carrying amount of deposits for component units was $186.7 million, as included in Table 1.

(2) Cash Equivalents – consists of cash in the State Treasury invested by individual funds in the Short-term Investment Pool (STIP), the State Treasurer's pooled cash account, and in identifiable securities and investments considered to be cash equivalents. Cash equivalents, generally, are short-term, highly liquid investments with original maturities of three months or less that are measured at cost. Cash equivalents may be under the control of BOI or other agencies, as allowed by law.

Table 2 - Cash Equivalents
(in thousands)

	Fair Value
Treasuries (1)	$ 430,142
Corporate commercial paper (2)	398,071
Corporate notes (2)	115,311
Certificates of deposit (2)	300,206
Agency or government related (2)	1,182,828
Money market fund unrated	261,528
Cash and cash equivalents (2)	3,305,016
Less: STIP Adjustments (3)	(269,872)
Total cash equivalents	$ 5,723,230

(1) A portion is also included in the Investments Measured at Fair Value and NAV table.
(2) Also included in the Investments Measured at Fair Value and NAV table.
(3) Includes adjustments for STIP Reserve, STIP included in pooled investments, and holding classification differences.

As of June 30, 2020, local governments had invested $1.7 billion, and component units of the State of Montana had invested $331.5 million in STIP.

STIP Cash Equivalent Credit Quality Ratings as of June 30, 2020
(in thousands)

	Total Cash Equivalents	Credit Quality Rating
Agency or government related	$ 121,655	A-1+
Asset backed commercial paper	1,508,483	A-1+
Corporate commercial paper	385,100	A-1+
Certificates of deposit	43,029	A-1+
Total cash equivalents	$ 2,058,267	

STIP
Credit Quality Rating and Weighted Average of Maturity as of June 30, 2020
(in thousands)

Security Investment Type	Total Fixed Income Investments at Fair Value	Credit Quality Rating	WAM (Days)
Treasuries	$ 430,142	A-1+	56
Agency or government related	1,182,828	A-1+	52
Corporate:			
Commercial paper	398,071	A-1+	72
Notes	115,311	A-1+	57
Certificates of deposit	300,206	A-1	56
Total STIP fixed income investments at fair value	$ 2,426,558		

C. Equity in Pooled Investments

These securities consist of investments held by BOI in pooled investment funds. The Consolidated Asset Pension Pool (CAPP) and Trust Funds Investment Pool (TFIP) were created to allow qualifying funds to participate in diversified investment pools. Purchases are subject to the statutorily mandated “Prudent Expert Principle” (see Table 3 – Equity in Pooled Investments).

Table 3 – Equity in Pooled Investments
(in thousands)

		Fair Value [1]
CAPP:		
Consolidated asset pension pool	$	11,673,887
TFIP:		
Trust funds investment pool		2,644,510
Total pooled investments		14,318,397
Pool adjustments (net)		(11,249)
Total equity in pooled investments	$	14,307,148

[1] Includes cash/cash equivalents and investments.

As of June 30, 2020, the fair value of the underlying securities on loan was $608.0 million. Collateral provided for the securities on loan totaled $620.1 million, consisting of $110.4 million in cash and $509.7 million in securities.

As of June 30, 2020, local governments invested $13.1 million in TFIP.

State of Montana investments are categorized below to disclose credit and interest rate risk as of June 30, 2020, as required for applicable pools.

Credit Quality Rating and Effective Duration as of June 30, 2020
Fair Value (in thousands)

Security Investment Type	CAPP	TFIP	SMA	Total Fixed Income Investments at Fair Value	Credit Quality Ratings Range	Effective Duration (Years)
Treasuries	$ 643,374	$ 348,714	$ 282,470	$ 1,274,558	AAA	3.24-12.52
Agency or Government Related	163,568	142,612	113,999	420,179	AAA	3.01-5.29
Asset-Backed Securities	88,048	83,281	57,768	229,097	AA+ to AAA	1.69-2.72
Mortgage-Backed Securities:						
Noncommercial	697,867	588,024	129,577	1,415,468	AAA	1.86-2.56
Commercial	144,057	149,106	33,534	326,697	AAA	4.60-6.97
Corporate:						
Financial	322,656	311,131	238,394	872,181	BBB+ to A-	3.84-4.65
Industrial	726,975	625,164	366,556	1,718,695	BB+ to A-	4.55-5.91
Industrial (Unrated)	444	1,382	505	2,331	NR	0.40-3.06
Utility	22,041	16,429	9,625	48,095	BBB- to BBB	3.48-6.04
Total fixed income investments at fair value	$ 2,809,030	$ 2,265,843	$ 1,232,428	$ 6,307,301		

State of Montana investments are measured at fair value and categorized within the fair value hierarchy established by GASB Statement No. 72 – *Fair Value Measurement and Application*, as defined below.

Fixed income and equity investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Fixed income investments classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities’

relationship to benchmark quoted prices. Residential Mortgages classified in Level 3 of the fair value hierarchy are present value adjusted. Direct real estate classified in Level 3 of the fair value hierarchy is based on the latest appraisal value. Investments measured at cost are included to account for all investments within each pool and SMA. These assets represent cash equivalents and Montana Mortgages and Loans.

Each of the investment pools and SMA has the following fair value measurements as of June 30, 2020:

Investments Measured at Fair Value
(in thousands)

		Fair Value Measurements Using		
	June 30, 2020	Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable (Level 3)
Investments by fair value level				
Fixed income investments:				
Treasuries	$ 1,704,700	$ 1,704,700	$ —	$ —
Agency or Government Related	1,603,007	—	1,603,007	—
Asset Backed Securities	229,097	—	229,097	—
Mortgage Backed Securities:				
Noncommercial	1,415,468	—	1,415,468	—
Commercial	326,697	—	326,697	—
Corporate:				
Commercial Paper	398,071	—	398,071	—
Commercial Notes	115,311	—	115,311	—
Certificates of Deposit	300,206	—	300,206	
Financial	872,181	—	872,181	—
Industrial	1,718,695	—	1,718,695	—
Industrial (Unrated)	2,331	—	2,331	—
Utility	48,095	—	48,095	—
Equity investments	3,997,407	3,997,407	—	—
International equity investments	1,974,031	1,974,031	—	—
Direct Real Estate	19,215	—	—	19,215
Residential Mortgages	2,167	—	—	2,167
Total investments by fair value level	14,726,679	7,676,138	7,029,159	21,382
Investments measured at the net asset value (NAV)				
Private Equity Partnerships	1,531,566			
Core Real Estate	711,902			
Non-Core Real Estate	484,230			
Natural Resources	261,683			
Real Estate High Income Fund	131,764			
Total investments measured at NAV	3,121,145			
Total investments measured at fair value	17,847,824			
Investments at cost				
Cash and cash equivalents held at custodial bank	3,520,543			
SMA Montana Mortgages and Loans	203,601			
Total investments not categorized	3,724,144			
Total investments	$ 21,571,968			

The investments measured at NAV for the year ended June 30, 2020, are detailed below.

	Investments Measured at NAV (in thousands)			
	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Private Equity Partnerships	$ 1,531,566	$ 1,038,167		
Core Real Estate	711,902	157,793	Monthly, quarterly	45-90 days
Non-Core Real Estate	484,230	502,567		
Natural Resources	261,683	265,305		
High Yield Bond Fund	131,764	—	Daily	1-3 days
Total investments measured at the NAV	$ 3,121,145	$ 1,963,832		

STIP and $2.9 billion of SMA are included, and also reported in Tables 2 and 4, respectively.

Private Equity Partnerships – This type includes investments in limited partnerships. Generally speaking, the types of partnership strategies included in this portfolio: venture capital, growth equity, buyouts, special situations, mezzanine and distressed debt. These investments are considered long-term. Redemptions are restricted over the life of the partnership. During the life of the partnerships, distributions are received as underlying partnership investments are realized. It is expected that the underlying assets of the funds will be liquidated over 10 years. It is probable all the investments in this type will be sold at an amount different from the NAV per share (or its equivalent) of BOI's ownership interest in partners' capital.

Core Real Estate – This type includes funds that invest primarily in core real estate, which makes equity investments in operating and substantially-leased institutional quality real estate in traditional property types (apartments, office, retail, industrial and hotel) via commingled funds. The primary investment objectives of these core real estate funds are to invest in real estate that will generate income from predictable sources of revenue and not to realize gains on the underlying assets. This investment type receives distributions of generated income and occasionally through the liquidation of the underlying assets of the fund. The fair values of the investments in this category have been determined using the NAV per share (or its equivalent) of BOI's ownership interest in the partners' capital. Redemption of these investments is restricted based on the availability of cash flow arising from investment transactions, sales, and other fund operations occurring in the ordinary course of business. Therefore, requested redemptions from a fund will be redeemed as funds become available.

Non-Core Real Estate – This type includes private partnership funds that primarily invest in value added and opportunistic real estate funds. These funds assume more risk than the core real estate funds to achieve a greater return on investment. Returns are driven both by current income and by expected capital appreciation. This investment type receives distributions of generated income and occasionally through the liquidation of the underlying assets of the fund. It is expected that the underlying assets of the funds will be liquidated over 7 to 10 years. These investments can never be redeemed. The fair values of the investments in this category have been determined using the NAV per share (or its equivalent) of the Board's ownership interest in the partners' capital.

Natural Resources – This type includes private partnership funds that primarily invest in timber, energy and broad natural resource funds. This investment type receives distributions of generated income and occasionally through the liquidation of the underlying assets of the fund. It is expected that the underlying assets of the funds will be liquidated over 10 to 20 years. The fair values of the investments in this category have been determined using the NAV per share (or its equivalent) of the Board's ownership interest in the partners' capital.

Real Estate High Income Fund – This type consists of predominantly of real estate related instruments with an emphasis in U.S. corporate credits, whether in the form of bonds or loans that are rated below investment grade. These assets carry a higher risk of default than investment grade securities and accordingly provide a higher level of income or yield commensurate with that risk. The fair values of the investments of this type have been determined using the NAV per share (or its equivalent) of the investments.

As of the June 30, 2020, exchange date, BOI's foreign currency exposure by denomination and investment type are reported, in U.S. dollars, at fair value and is limited to CAPP. The following table excludes the foreign investments denominated in U.S. dollars for the American Depository Receipts (ADRs), sovereign debt and commingled index funds.

Foreign Currency Exposure by Country

Investment Type in US Dollar Equivalent

(in thousands)

Foreign Currency Denomination	Currency	International Equities	Private Equity	Real Estate Equity
Australian Dollar	$ 48	$ 22,100	$ —	$ —
Brazilian Real	18	14,424	—	—
Canadian Dollar	55	27,668	—	—
Danish Krone	—	13,133	—	—
EMU – Euro	1	178,067	16,278	1,144
Hong Kong Dollar	81	60,149	—	—
Hungarian Forint	—	1,504	—	—
Indonesian Rupiah	3	2,305	—	—
Japanese Yen	193	117,539	—	—
Malaysian Ringgit	4	161	—	—
Mexican Peso	18	8,729	—	—
New Israeli Sheqel	—	4,395	—	—
Korean Fortnit	33	23,391	—	—
New Zealand Dollar	1	259	—	—
Norwegian Krone	2	4,318	—	—
Philippine Peso	3	65	—	—
Polish Zloty	—	481	—	—
Pound Stering	7	59,147	—	—
Singapore Dollar	145	7,856	—	—
South African Rand	—	7,091	—	—
South Korean Won	8	25,790	—	—
Swedish Krona	90	30,288	—	—
Swiss Franc	—	43,745	—	—
New Taiwan Dollar	10	2,366	—	—
Thailand Baht	4	3,729	—	—
Yuan Renminbi	51	10,603	—	—
Total cash and securities	$ 775	$ 669,303	$ 16,278	$ 1,144

Investments in alternative equity are usually made via limited partnership agreements that involve many limited partners and a general partner who is responsible for all investment decisions. The limited partners make an original commitment, after which capital is called as needed by the general partner to make investments. These agreements will usually last for a minimum of 10 years. The following table shows the remaining BOI commitments to alternative equity managers.

Commitments to Fund Managers
(in thousands)

Pension Asset Class	Original Commitment	Commitment Remaining
Private Equities PAC	$ 3,045,722	$ 1,038,167
Real Estate PAC	2,060,130	660,360
Natural Resources PAC	584,412	265,305
Total	$ 5,690,264	$ 1,963,832

D. Investments

Article VIII of Montana's Constitution, with supporting statutes, authorizes BOI to manage the State's Unified Investment Program. Long-term investments are administered by the following agencies, as allowed by state law, Section 17-6-201, MCA:

Long-term Investments

Department	Percent Administered
Board of Investments	50.39 %
Universities	17.83
MPERA (Montana Public Employee Retirement Administration)	24.96
College Savings Plan	4.58
Montana Board of Housing	1.16
Other [(1)]	1.08
Total	100.00 %

(1) Other consists of the Commissioner of Higher Education, the Department of Administration, the Department of Commerce, the Department of Natural Resources and Conservation, the Department of Revenue, and State Auditor.

BOI must employ the "Prudent Expert Rule" in managing the State's investment portfolio. Investments are presented at fair value. Investment fair values for publicly traded securities are determined primarily by reference to market prices supplied to BOI's custodial bank or trustee. State investments are categorized within the fair value hierarchy established by GASB Statement No. 72.

The PERS Defined Contribution Retirement Plan (DCRP) and the Deferred Compensation Plan’s Montana Fixed Fund is a stable value investment option administered and monitored by the Public Employees’ Retirement Board (PERB) with input from the Employee Investment Advisory Committee and the investment consultant. The PERB has established an investment policy for the Montana Fixed Fund to identify objectives, investment guidelines, and outline the responsibility of the outside vendors. This investment policy includes stable value manager Pacific Investment Management Company LLC (PIMCO), custodial bank State Street Bank and Trust Company (State Street), and third-party synthetic Guaranteed Interest Contract (GIC) providers, Transamerica Life Insurance Company (Transamerica), Prudential Insurance Company of America (Prudential), and Voya Retirement Insurance and Annuity Company (Voya). All money invested in the Montana Fixed Fund of the PERS-DCRP and Deferred Compensation Plan is held in a Pooled Trust. The third party record keeper, Empower ™ Retirement, tracks and reports the daily trading and valuations of all investment options, including the assets held by the individual mutual fund companies.

Table 4 – Investments
(in thousands)

	Fair Value June 30, 2020	Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Primary government				
Investments by fair value level				
Treasuries [1]	$ 3,522	$ 3,522	$ —	$ —
Agency/Government Related [1]	3,023	—	3,023	—
Government Securities	2,023	2,023	—	—
Stocks	6,521	6,521	—	—
Other	9,588	—	9,588	—
Total investments at fair value	24,677	12,066	12,611	—
Investments at cost				
Montana Mortgages and Loans [3]	193,506			
Total investments at cost	193,506			
Total primary government	218,183			
Component units/fiduciary funds				
Investments by fair value level				
Treasuries [1]	278,948	278,948	—	—
Agency/Government Related [1]	110,976	—	110,976	—
Asset-Backed Securities [1]	57,768	—	57,768	—
Mortgage-Backed Securities [1]	129,577	—	129,577	—
Commercial Mortgage-Backed Securities [1]	33,534	—	33,534	—
Financial-Corporate [1]	238,394	—	238,394	—
Industrial-Corporate [1]	366,556	—	366,556	—
Industrial-Corporate (Unrated) [1]	505	—	505	—
Utility-Corporate [1]	9,625	—	9,625	—
Equity Investments	159,979	159,979	—	—
International Equity Investments	39,792	39,792	—	—
529 College Savings Plan	156,859	—	156,859	—
VEBA	8,226	8,226	—	—
State Auditor	10,699	6,037	4,662	—
MSU Investments [2]	(18)	—	(18)	—
MSU Component Unit Investments [2]	183,858	179,857	1,981	2,020
UM Component Unit Investments [2]	202,595	147,083	45,309	10,203
Board of Housing [2]	39,858	6,441	33,417	—
Total investments at fair value	2,027,731	826,363	1,189,145	12,223
Investments at net asset value (NAV)				
Core Real Estate	101,390			
Deferred Compensation [2]	560,706			
Defined Contribution [2]	294,648			
MSU Component Unit Investments [2]	94,672			
UM Component Unit Investments [2]	111,300			
UM Other Investments [2]	420			
UM Interest in Split Interest [2]	4,290			
Total investments at NAV	1,167,426			
Investments at cost				
MSU Component Unit Investments [2]	14,104			
Total Investments at Cost	14,104			
Total component unit/fiduciary investments	3,209,261			
Total investments	$ 3,427,444			
Securities lending investment pool	$ 42,673			

(1) The credit quality rating and duration are included in the above sections for the rated investments.
(2) For more detail, refer to component unit separately issued financial statements.
(3) The total for Montana Mortgages and Loans does not include Coal Severance Tax loans, which was included in SMA financial statements. This amount of $10.1 million is considered advances to other funds/component units and amounts due from component units in the Coal Tax Severance column of the governmental fund financial statements.

As of June 30, 2020, the fair value of the investments on loan was $133.7 million. Collateral provided for the investments on loan totaled $136.5 million consisting of $42.7 million in cash and $93.8 million in securities.

$1.7 billion of SMA is included and also reported in the Investments Measured at Fair Value and NAV table.

Municipal Finance Programs – Rated Securities
Credit Quality Rating and Effective Duration as of
June 30, 2020
(in thousands)

Security Investment Type	Fair Value	Credit Quality Rating [1]	Effective Duration [1]
Short-term investments			
US Treasury obligations	$ 146	AA+	0.46
Restricted investments			
US Treasury obligations	564	AA+	0.46
Total investments	$ 710		

(1) Credit Quality Rating and Effective Duration are weighted.

NOTE 4. DISAGGREGATION OF ACCOUNTS RECEIVABLE, ACCOUNTS PAYABLE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

Accounts receivable, accounts payable, deferred outflows of resources, and deferred inflows of resources on the Statement of Net Position as of June 30, 2020, consisted of the following (in thousands):

A. Accounts Receivables

	Governmental Activities						
	Coal Severance Tax	Federal Special Revenue	General Fund	Internal Service Funds	Land Grant	Nonmajor Governmental Funds	State Special Revenue
Charges for services/fines/forfeitures	$ —	$ 4,681	$ 2,469	$ 375	$ —	$ —	$ 12,094
Contributions/premiums	—	—	—	11,200	—	—	1,195
Grants/contracts/donations	—	—	—	—	—	16	258
Investment income	2,799	—	509	118	1,794	6,005	3,126
License and permits	—	—	—	—	—	—	8,538
Other receivables	—	71,178	8,503	958	—	—	636
Reimbursements/overpayments	—	304	18,503	18	—	—	13,881
Taxes	8,426	—	530,391	—	—	3,003	65,748
Total receivables	11,225	76,163	560,375	12,669	1,794	9,024	105,476
Less: allowance for doubtful accounts	—	(726)	(125,682)	(978)	—	(24)	(19,290)
Receivables, net	$ 11,225	$ 75,437	$ 434,693	$ 11,691	$ 1,794	$ 9,000	$ 86,186

	Business-type Activities		
	Municipal Finance Programs	Nonmajor Enterprise Funds	Unemployment Insurance
Charges for services	$ —	$ 31,671	$ —
Contributions/premiums	—	4,588	6,068
Loans/investment income	8,029	95	—
Other receivables	—	62	—
Reimbursements/overpayments	—	—	2,129
Total receivables	8,029	36,416	8,197
Less: allowance for doubtful accounts	—	(646)	(3,719)
Receivables, net	$ 8,029	$ 35,770	$ 4,478

B. Deferred Outflows of Resources

	Governmental Activities				
	Federal Special Revenue	General Fund	Internal Service Funds	Nonmajor Governmental Funds	State Special Revenue
OPEB deferred outflows [1]	$ —	$ 14,999	$ 979	$ —	$ —
Pension deferred outflows [2]	13	586,392	8,996	—	65
Refunding deferred outflows	—	—	—	1,805	—
Total deferred outflows	$ 13	$ 601,391	$ 9,975	$ 1,805	$ 65

	Business-type Activities	
	Municipal Finance Programs	Nonmajor Enterprise Funds
OPEB deferred outflows [1]	$ 5	$ 282
Pension deferred outflows [2]	46	2,090
Total deferred outflows	$ 51	$ 2,372

(1) Further detail regarding OPEB related deferred outflows of resources is provided in Note 7.

(2) Further detail regarding pension related deferred outflows of resources is provided in Note 6.

C. Accounts Payables

	Governmental Activities				
	Federal Special Revenue	General Fund	Internal Service Funds	Nonmajor Governmental Funds	State Special Revenue
Accrued interest	$ 6	$ 431	$ 27	$ 1,655	$ 50
Payroll	10,922	35,566	4,839	6	25,600
Tax refunds	—	188,354	—	—	—
Vendors/individuals	226,436	65,270	12,133	9,693	162,951
Payables, net	$ 237,364	$ 289,621	$ 16,999	$ 11,354	$ 188,601

	Business-type Activities		
	Municipal Finance Programs	Nonmajor Enterprise Funds	Unemployment Insurance
Accrued interest	$ 302	$ 3	$ —
Payroll	30	1,276	—
Vendors/individuals	11	19,334	29,005
Payables, net	$ 343	$ 20,613	$ 29,005

D. Deferred Inflows of Resources

	Governmental Activities			
	Federal Special Revenue	General Fund	Internal Service Funds	State Special Revenue
OPEB deferred inflows [1]	$ —	$ 26,005	$ 1,698	$ —
Pension deferred inflows [2]	37	181,999	9,444	60
Total deferred inflows	$ 37	$ 208,004	$ 11,142	$ 60

	Business-type Activities	
	Municipal Finance Programs	Nonmajor Enterprise Funds
OPEB deferred inflows [1]	$ 8	$ 503
Pension deferred inflows [2]	49	3,085
Total deferred inflows	$ 57	$ 3,588

[1] Further detail regarding OPEB related deferred inflows of resources is provided in Note 7.

[2] Further detail regarding pension related deferred inflows of resources is provided in Note 6.

NOTE 5. CAPITAL ASSETS

Changes in capital asset balances for the fiscal year ended June 30, 2020, are reflected in the following table (in thousands):

Governmental Activities	Beginning Balance	Increases [1]	Decreases [1]	Ending Balance
Capital assets not being depreciated:				
Land	$ 737,025	$ 16,546	$ (75)	$ 753,496
Construction work in progress	1,105,818	543,097	(426,664)	1,222,251
Easements	218,813	18,059	—	236,872
Museum and art	85,670	408	—	86,078
Other	29,842	354	—	30,196
Total capital assets not being depreciated	2,177,168	578,464	(426,739)	2,328,893
Capital assets being depreciated:				
Infrastructure	5,573,558	386,946	(201,537)	5,758,967
Land improvements	69,251	7,744	—	76,995
Buildings/improvements	605,637	17,788	(5,245)	618,180
Equipment	410,261	33,823	(13,466)	430,618
Easements - amortized	1,377	—	(73)	1,304
Other	5,566	210	—	5,776
Total capital assets being depreciated	6,665,650	446,511	(220,321)	6,891,840
Less accumulated depreciation for:				
Infrastructure	(1,700,168)	(195,227)	188,932	(1,706,463)
Land improvements	(33,438)	(3,220)	—	(36,658)
Buildings/improvements	(399,024)	(19,418)	545	(417,897)
Equipment	(270,662)	(24,236)	9,181	(285,717)
Other	(4,308)	(254)	—	(4,562)
Total accumulated depreciation	(2,407,600)	(242,355)	198,658	(2,451,297)
Total capital assets being depreciated, net	4,258,050	204,156	(21,663)	4,440,543
Intangible assets	45,267	35,421	(27,078)	53,610
Governmental activities capital assets, net	$ 6,480,485	$ 818,041	$ (475,480)	$ 6,823,046

[1] The increases and decreases noted above include adjustments related to prior periods and correction of errors.

Business-type Activities	Beginning Balance	Increases [1]	Decreases [1]	Ending Balance
Capital assets not being depreciated:				
Land	$ 800	$ —	$ —	$ 800
Construction work in progress	6,887	2,361	(6,887)	2,361
Other	3,640	205	(75)	3,770
Total capital assets not being depreciated	11,327	2,566	(6,962)	6,931
Capital assets being depreciated:				
Infrastructure	1,175	—	—	1,175
Land improvements	3,830	—	—	3,830
Buildings/improvements	10,199	6,180	—	16,379
Equipment	9,573	419	(182)	9,810
Total capital assets being depreciated	24,777	6,599	(182)	31,194
Less accumulated depreciation for:				
Infrastructure	(746)	(19)	—	(765)
Land improvements	(2,064)	(149)	—	(2,213)
Buildings/improvements	(6,799)	(317)	—	(7,116)
Equipment	(7,274)	(390)	164	(7,500)
Total accumulated depreciation	(16,883)	(875)	164	(17,594)
Total capital assets being depreciated, net	7,894	5,724	(18)	13,600
Intangible assets	2,062	—	(541)	1,521
Business-type activities capital assets, net	$ 21,283	$ 8,290	$ (7,521)	$ 22,052

[1] The increases and decreases noted above include adjustments related to prior periods and corrections of errors.

Depreciation expense was charged to governmental functions as follows (in thousands):

	Depreciation [2]
General government	$ 8,222
Public safety	8,043
Transportation, including depreciation of the highway system maintained by the State	197,267
Health and human services	2,952
Education	179
Natural resources, including depreciation of the state's dams	11,020
Depreciation on capital assets held by the internal service funds	14,672
Total depreciation expense – Governmental Activities	$ 242,355

Depreciation expense was charged to business-type activities as follows (in thousands):

	Depreciation [2]
Liquor Stores	$ 110
State Lottery	56
Prison Funds	403
West Yellowstone Airport	257
Other Enterprise Funds	49
Total depreciation expense – Business-type Activities	$ 875

[2] Depreciation expenses noted above include adjustments related to prior periods and correction of errors.

NOTE 6. RETIREMENT PLANS

A. General

The funding policies for each plan provide for periodic employee, employer, and State nonemployer contributions at rates specified by state law. An actuary determines the actuarial implications of the funding requirement in an annual actuarial valuation. The actuarial method used to determine the implications of the statutory funding level is the Entry Age Actuarial Cost Method, with both normal cost and amortization of the unfunded actuarial liability determined as a level percentage of payroll expense. Benefits are established by state law and can only be amended by the Legislature.

Montana State Fund, a discretely presented component unit of the State, by statute, prepares separately issued financial statements on a calendar year-end basis. Due to the difference in reporting period, there will be a variance between the note disclosures and the financial statements for some pension-related items.

Public Employees' Retirement Board

The Public Employees' Retirement Board (PERB) oversees eight defined benefit plans: Public Employees' Retirement System-Defined Benefit Retirement Plan (PERS-DBRP); Judges' Retirement System (JRS); Highway Patrol Officers' Retirement System (HPORS); Sheriffs' Retirement System (SRS); Game Wardens' and Peace Officers' Retirement System (GWPORS); Municipal Police Officers' Retirement System (MPORS); Firefighters' Unified Retirement System (FURS); and Volunteer Firefighters' Compensation Act (VFCA). The PERB also oversees two defined contribution plans: Public Employees' Retirement System-Defined Contribution Retirement Plan (PERS-DCRP) and the 457-Deferred Compensation Plan (457 Plan). The PERB also oversees education funds related to the pension plans. All of the benefit plans, defined benefit and defined contribution, are administered by the Montana Public Employees' Retirement Administration (MPERA). Separately issued financial statements and actuarial reports can be obtained at 100 North Park, Suite 200, PO Box 200131, Helena, MT 59620-0131. The financial statements and the latest actuarial valuation may also be obtained here: http://mpera.mt.gov/. The financial statements for the PERS-DBRP include activity for the defined benefit plan and the associated education fund. The PERS-DCRP financial statements include activity for the defined contribution plan and the associated education fund.

The PERB is an independent, seven-member board, appointed by the Governor. The members are assigned five-year, staggered terms. The PERB consists of two members at large, two active defined benefit public employees, one active defined contribution public employee, one member experienced in investments, and one retired public employee. The PERB approves the annual operating budget, developed by MPERA management, before the beginning of the fiscal year. As governed by statute, the PERB's defined benefit administrative expenses may not exceed 1.5% of the total defined benefit plan retirement benefits paid. In addition, the PERB decides legislative policy and priorities, hires the executive director, establishes the policies and procedures that govern operations at MPERA, and hears and rule on appeal matters of disabilities, retirees, and members. PERB members do not receive compensation for their service to the MPERA but are reimbursed for necessary expenses incurred while serving.

All defined benefit pension plans provide retirement, disability, and death benefits to the plan members and their beneficiaries. The PERS-DCRP Disability OPEB Plan provides a defined benefit for disabled members of the PERS-DCRP. Beneficiaries do not receive disability benefits but may attain retirement benefits from the PERS-DCRP. A summary of the plan eligibility and benefits are found in the Summary of Benefits sections throughout Note 6.

Teachers' Retirement System

The Teachers' Retirement System (TRS) is a defined benefit plan administered by the Teachers Retirement Board (TRB). The plan prepares a publicly issued comprehensive annual financial report that includes financial statements and required supplementary information for TRS. Separately issued financial statements, actuarial valuations, and experience studies can be obtained at 100 N Park Avenue, Suite 110, PO Box 200139, Helena, MT 59620-0319, or can be found online at https://trs.mt.gov/.

The TRB consists of six members, all of whom are appointed by the Governor. Three TRB members must be teaching professionals who, when appointed, are active members of TRS; at least one of them must be an active classroom teacher. One TRB member must be a retired teacher who was a member of TRS at the time of retirement.

Two TRB members are appointed from the public at large. TRB members serve staggered, five-year terms. Three TRB members constitute a quorum.

A summary of the number of participating employer and nonemployer contributing entities as of June 30, 2020, follows:

Classification of Participant	GWPORS	PERS-DBRP	PERS-DCRP	SRS	MPORS	FURS	VFCA	TRS
Employer	7	548	329	57	33	27	221	364
Nonemployer contributing entity	—	1	—	—	1	1	1	1
Total Participants	7	549	329	57	34	28	222	365

There are 688 State employees who are eligible to participate in defined benefit pension plans, other than the plans listed above.

B. Summary of Significant Accounting Policies

The MPERA prepares its financial statements using fund accounting principles and the accrual basis of accounting. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements. Plan member contributions, employer contributions, and related receivables are recognized as revenues in the accounting period in which they are earned and become measurable, pursuant to formal commitments and statutory requirements. Benefit payments and refunds/distributions are recognized in the accounting period in which they are due and payable in accordance with the terms of each plan. Administrative and other expenses, and the associated liabilities, are recognized in the period the liability is incurred. Administrative expenses are financed through investment earnings on the pension trust fund for the defined benefit plans. Interfund receivables and payables exist at year-end for defined benefit administrative expenses that are accounted for within PERS-DBRP and allocated to the other defined benefit plans at year-end. Costs specifically related to the computer system upgrades are charged directly to the individual plans. The MPERA adheres to all applicable Governmental Accounting Standards Board (GASB) statements.

The TRS prepares its financial statements using the accrual basis of accounting. For the purposes of measuring the net pension liability, deferred inflows of resources, and deferred outflows of resources related to pensions, pension expense, information about the fiduciary net position of the TRS, and additions to/deductions from TRS's fiduciary net position, the items have been determined on the same accrual basis as they are reported by the TRS. For this purpose, plan contributions are recognized as of employer payroll paid dates. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The TRS adheres to all applicable GASB statements.

The pension trust fund financial statements presented in this report are prepared using the accrual basis of accounting in the same manner as that described for the pension plan administrators above.

C. Public Employee Defined Benefit Retirement Plan

A summary of classes of members in JRS, HPORS, GWPORS, PERS-DBRP, SRS, MPORS, FURS, VFCA, TRS, PERS-DCRP, and 457-Deferred Compensation covered by benefit terms at June 30, 2020, follows:

Type of Plan for Reporting Purposes	Single-Employer Defined Benefit			Multi-Employer Defined Benefit						Multi-Employer Defined Contribution	
Plan Designation	JRS	HPORS (1)	GWPORS	PERS-DBRP(2)	SRS	MPORS (1)	FURS	VFCA	TRS	PERS-DCRP	457-DC
Classification of Member											
Active	58	233	1,033	29,039	1,502	829	735	2,401	19,751	3,100	5,601
Inactive entitled to, but not yet receiving, benefits or a refund:											
Vested	2	17	135	4,070	146	95	39	766	1,828	639	4,293
Non-vested	1	31	495	20,548	696	181	72	—	14,941	790	—
Inactive members and beneficiaries currently receiving benefits:											
Service retirements(3)	67	335	371	23,195	711	811	648	1,519	16,605	106	—
Disability retirements	—	4	2	138	28	27	12	1	192	9	—
Survivor benefits(4)	5	11	11	523	24	32	18	4	480	1	—
Total membership	133	631	2,047	77,513	3,107	1,975	1,524	4,691	53,797	4,645	9,894

(1) Includes DROP in the Active count.

(2) The inactive Non-vested count includes dormant accounts that were previously not counted.

(3) Includes "Alternative Payees" and "Death After Retirement" benefit payments. As of Fiscal Year 2019, the TRS plan stopped reporting separate benefit recipient categories.

(4) Includes "Death Before Retirement" benefit payments.

A summary of pension liability, pension assets, net pension liability/(asset), pension expense, deferred outflows of resources, and deferred inflows of resources by plan and total for the State as an employer entity for primary government and component units reported as of June 30, 2020, based on a June 30, 2019, actuarial valuation, follows with amounts presented in thousands:

Aggregate Pension Amounts - All Plans (State as employer)

System	Employer's Total Pension Liability	Employer's Pension Assets	Employer's Net Pension Liability/(Asset)	Employer's Pension Expense	Employer's Deferred Outflows of Resources	Employer's Deferred Inflows of Resources
JRS	$ 65,319	$ 104,886	$ (39,567)	$ (114)	$ 5,690	$ 1,450
HPORS	237,728	152,778	84,950	12,145	11,713	—
GWPORS	247,013	206,348	40,665	9,501	13,748	4,003
PERS-DBRP	3,128,757	2,310,595	818,162	87,976	141,953	155,410
SRS	22,464	18,397	4,067	63	2,144	2,513
FURS	11,593	9,284	2,309	530	1,084	195
TRS	148,249	101,756	46,493	15,181	32,800	919
Totals	$ 3,861,123	$ 2,904,044	$ 957,079	$ 125,282	$ 209,132	$ 164,490

(1) State as the Single Employer

<u>Judges' Retirement System</u> – The JRS, administered by the MPERA, is a single-employer defined benefit plan established in 1967 and governed by Title 19, chapters 2 & 5, MCA (Montana Code Annotated). This plan provides retirement benefits for all Montana judges of the district courts, justices of the Supreme Court, the Chief Water

Judge, and the Associate Water Judge. Benefits are established by state law and can only be amended by the Legislature. The JRS provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and compensation. Member rights are vested after five years of service.

Summary of Benefits

Member's current salary[1] or highest average compensation (HAC)[2]

[1]Hired prior to July 1, 1997, and non-Guaranteed Annual Benefit Adjustment (GABA) – monthly compensation at time of retirement;

[2]Hired on or after July 1, 1997, or electing GABA – HAC during any consecutive 36 months;

[2]Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member's HAC.

Eligibility for benefit

Age 60, 5 years of membership service;

Any age with 5 years of membership service – involuntary termination, actuarially reduced.

Vesting

5 years of membership service.

Monthly benefit formula

3.33% of current salary[1] (non-GABA) or HAC[2] (GABA) per year of service credit for the first 15 years of service credit, plus 1.785% per year for each year after 15 years.

Guaranteed Annual Benefit Adjustment (GABA)

Hired on or after July 1, 1997, or those electing GABA – after the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3.0% each January, inclusive of all other adjustments to the member's benefit.

Minimum benefit adjustment (non-GABA)

If hired prior to July 1, 1997, and member did not elect GABA – current salary of an active member in same position is used in the calculation of the monthly benefit each time the Legislature increases salaries for active judges.

Contributions to the Plan

Rates are specified by state law for periodic employee and employer contributions. The Legislature has the authority to establish and amend contribution rates to the plan.

Member contributions to the system – Contributions are deducted from each member's salary and remitted by the participating employer. An individual account is established for each member's contributions and interest allocations until a retirement or refund request is processed. Plan members are required to contribute 7.0% of the member's monthly compensation.

Employer contributions to the system – As the employer, the State is required to contribute 25.81% of a member's compensation.

Actuarial Assumptions

The total pension liability/(asset) used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of June 30, 2018, with update procedures used to roll forward the total pension liability/(asset) to June 30, 2019. The actuarial assumptions used in the June 30, 2019, valuation were based on the results of the last actuarial experience study dated May 2017 for the six-year period ended June 30, 2016. There were several significant assumptions and other inputs used to measure the total pension liability/(asset). Among those assumptions were the following:

- Investment Return 7.65%
- Admin Expense as a % of Payroll 0.17%

- General Wage Growth 3.50%
- Inflation at 2.75%
- Merit Increases None
- Postretirement Benefit Increases – After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of other adjustments to the member's benefit:
    - 3% for members electing GABA or hired on or after July 1, 1997
    - Current salary of an active member in the same position, if hired prior to July 1, 1997, and not electing GABA
- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries are based on RP-2000 Combined Employee and Annuitant Mortality Tables projected to 2020 using Scale BB, set back one year for males.
- Mortality assumptions among Disabled Retirees are based on RP-2000 Combined Employee and Annuitant Mortality Tables.

Discount Rate

The discount rate used to measure the total pension asset was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members and employers will be made based on the PERB's funding policy, which establishes the contractually required rates under MCA. Based on those assumptions, the JRS's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2105. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset. A municipal bond rate was not incorporated in the discount rate.

Target Allocations

The long-term expected return on pension plan assets is reviewed as part of the regular experience study prepared for the JRS. The most recent analysis, performed for the six-year period ended June 30, 2016, is outlined in a report dated May 2017, and can be located on the MPERA website. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions adopted by similar public pension systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the JRS's target asset allocation as of June 30, 2019, is summarized in the table that follows:

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Cash Equivalents	3.00%	4.09%
Domestic Equity	36.00%	6.05%
Foreign Equity	18.00%	7.01%
Fixed Income	23.00%	2.17%
Private Equity	12.00%	10.53%
Real Estate	8.00%	5.65%
Total	100.00%	

Sensitivity Analysis

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability/(asset) to changes in the discount rate, the table below presents the net pension liability/(asset) calculated using the discount rate of

7.65%, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1.00% lower (6.65%) or 1.00% higher (8.65%) than the current rate.

(in thousands)

	1.0% Decrease (6.65%)	Current Discount Rate	1.0% Increase (8.65%)
JRS net pension (asset)	$ (33,242)	$ (39,567)	$ (45,028)

Net Pension Asset

In accordance with GASB 68, the employer is required to recognize and report certain amounts associated with its participation in the JRS. GASB 68 became effective June 30, 2015, and includes requirements for participant to record and report its net pension asset (NPA), pension expense, deferred inflows of resources and deferred outflows of resources associated with pensions.

(dollars presented in thousands)

	Net Pension Liability (Asset) as of 6/30/18	Net Pension Liability (Asset) as of 6/30/19	Percent of NPA
Employer's proportionate share	$ (42,459)	$ (39,567)	100%

At June 30, 2020, the employer reported a net pension asset of $39.6 million for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2019, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2018, with update procedures used to roll forward the total pension liability to June 30, 2019. The employer's proportion of the net pension asset was based on the employer's contributions received by JRS during the measurement period July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of the JRS participating employers.

Changes in actuarial assumptions and methods: There were no changes in assumptions or other input that affected the measurement of the total pension liability (asset).

Changes in benefit terms: There have been no changes in benefit terms since the previous measurement date.

Changes in proportionate share: There were no changes between the measurement date of the net pension asset and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the net pension asset.

Other Items Related to and Changes in Net Pension Asset

(in thousands)

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balances at 6/30/2018	$ 60,192	$ 102,651	$ (42,459)
Service costs	1,772	—	1,772
Interest	4,458	—	4,458
Difference between expected and actual experience	2,743	—	2,743
Contributions – member	—	517	(517)
Net investment income	—	5,687	(5,687)
Benefit payments	(3,846)	(3,846)	—
Administrative expense	—	(123)	123
Net changes	5,127	2,235	2,892
Balances at 6/30/2019	$ 65,319	$ 104,886	$ (39,567)

Pension Expense

At June 30, 2020, the employer recognized pension expense of $(114.0) thousand for the JRS.

Deferred Outflows and Inflows

As of the fiscal year ended June 30, 2020, remaining deferred outflows of resources and deferred inflows of resources related to the JRS are from the following sources:

	(in thousands)	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Net difference between projected and actual earnings on pension plan investments	$ 2,273	$ 1,450
Changes of assumptions	966	—
Differences between expected and actual experience	463	—
Contributions paid to JRS subsequent to the measurement date – FY 2020 contributions	1,988	—
Totals	$ 5,690	$ 1,450

Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions made subsequent to the June 30, 2019 measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	(in thousands)
Year ended June 30:	**Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense**
2021	$ 1,577
2022	(591)
2023	859
2024	407

Highway Patrol Officers' Retirement System – The HPORS, administered by the MPERA, is a single-employer defined benefit plan established on July 1, 1945, and governed by Title 19, chapters 2 & 6, MCA. This plan provides retirement benefits to all members of the Montana Highway Patrol, including supervisory personnel. Benefits are established by state law and can only be amended by the Legislature. The HPORS provides retirement, disability, and death benefits to plan members and their statutory beneficiaries. Benefits are based on eligibility, years of service, and highest average compensation. Member rights for death and disability are vested immediately. All other member rights are vested after 5 or 10 years of service.

Section 19-6-709, MCA provides eligible members retired prior to July 1, 1991, or their survivors, an annual supplemental lump-sum payment distributed each September. This lump-sum payment is funded by a statutory appropriation requested by the PERB from the General Fund. Factors impacting eligibility include the number of years the recipient has received a service retirement or disability benefit, the recipient's age, and whether the recipient is employed in a position covered by a retirement system under Title 19, MCA.

Deferred Retirement Option Plan (DROP)

Beginning October 1, 2015, eligible members of HPORS can participate in the DROP by filing a one-time irrevocable election with the PERB. The DROP is governed by Title 19, Chapter 6, Part 10, MCA. A member must have completed at least twenty years of membership service to be eligible. They may elect to participate in the DROP for a minimum of one month and a maximum of 60 months and may only participate in the DROP once. A participant remains a member of the HPORS, but will not receive membership service or service credit in the system for the duration of the member's DROP period. During participation in the DROP, all mandatory employer contributions continue to the retirement system; mandatory employee contributions are deposited to the member's DROP account. A monthly benefit is calculated based on salary and years of service to date as of the beginning of the DROP period. The monthly benefit is paid into the member's DROP account until the end of the DROP period.

At the end of the DROP period, the participant may receive the balance of the DROP account in a lump-sum payment or in a direct rollover to another eligible plan, as allowed by the IRS. If the participant continues employment after the DROP period ends, they will again accrue membership service and service credit. The DROP account cannot be distributed until employment is formally terminated. As of June 30, 2020, the balance held by MPERA for HPORS DROP participants was approximately $3.8 million.

Summary of Benefits

Member's highest average compensation (HAC)
Hired prior to July 1, 2013 – HAC during any consecutive 36 months;
Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member's HAC.

Eligibility for benefit
20 years of membership service, regardless of age.

Early Retirement
Hired prior to July 1, 2013 – 5 years of membership service, actuarially reduced from age 60.
Hired on or after July 1, 2013 – 10 years of membership service, actuarially reduced from age 60.

Second Retirement (applies to retirement system members who return on or after July 1, 2017, to active service covered by the system from which they retired):

a. If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member:

- is not awarded service credit for the period of reemployment;
- is refunded the accumulated contributions associated with the period of reemployment;
- starting the first month following termination of service receives the same retirement benefit previously paid to the member; and
- does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA in January immediately following the second retirement.

b. If the member works more than 480 hours in a calendar year and accumulates at least 5 years of service credit before terminating again, the member:

- is awarded service credit for the period of reemployment;
- starting the first month following termination of service, receives:
    - the same retirement benefit previously paid to the member; and
    - a second retirement benefit for the period of reemployment calculated based on the laws in effect as of the member's rehire date; and
- does not accrue post-retirement benefit adjustments during the term of reemployment but receive a GABA:
    - on the initial retirement benefit starting January immediately following second retirement; and
    - on the second retirement benefit starting in January after receiving that benefit for at least 12 months

c. A member who returns to covered service is not eligible for a disability benefit.

Vesting
Hired prior to July 1, 2013 – 5 years of membership service.
Hired on or after July 1, 2013 – 10 years of membership service.

Monthly benefit formula
Retire prior to July 1, 2013 – 2.5% of HAC per year of service credit.
Retire on or after July 1, 2013 – 2.6% of HAC per year of service credit.

Guaranteed Annual Benefit Adjustment (GABA)
Hired on or after July 1, 1997, or those electing GABA – after the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3.0% each January, inclusive of all other adjustments to the member's benefit.

Hired on or after July 1, 2013 – after the member has completed 36 full months of retirement, the member's benefit increase by a maximum of 1.5% each January, inclusive of all other adjustments to the member's benefit.

Minimum Monthly Benefit (non-GABA)
If hired prior to July 1, 1997, and member did not elect GABA – the minimum monthly benefit is equal to 2% of the service credit multiplied by the current base compensation of a probationary highway patrol officer. Any annual increase is limited to 5.0% over the current benefit and may not exceed 60% of the current base salary of a probationary officer.

Contributions to the Plan
Rates are specified by state law for periodic employee and employer contributions. The Legislature has the authority to establish and amend contribution rates to the plan.

Member contributions to the system – Contributions are deducted from each member's salary and remitted by participating employer.
Hired prior to July 1, 1997, and not electing GABA – Plan members are required to contribute 13.00%.
Hired after June 30, 1997, and electing GABA – Plan members are required to contribute 13.05%.

Employer contributions to the system – As the employer, the State is required to contribute 38.33% of a member's compensation. The first 28.15% is payable from the same sources used to pay a member's compensation. The remaining amount, equal to 10.18%, is payable from the General Fund through a statutory appropriation.

Actuarial Assumptions
The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, with update procedures used to roll forward the total pension liability to June 30, 2019. The actuarial assumptions used in the June 30, 2019, valuation were based on the results of the last actuarial experience study, dated May 2017 for the six-year period ended June 30, 2016. There were several significant assumptions and other inputs used to measure the total pension liability. Among those assumptions were the following:

- Investment Return 7.65%
- Administrative Expense as a % of Payroll 0.27%
- General Wage Growth 3.50%
- Inflation at 2.75%
- Merit Increases 0 to 6.30%
- Postretirement Benefit Increases – After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, inclusive of other adjustments to the member's benefit:
    - If electing GABA or hired on or after July 1, 1997 – 3.00%
    - Hired on or after July 1, 2013 – 1.50%
    - Minimum Benefit Adjustment – Limited to 5% over the current benefit and may not exceed 60% of a newly confirmed officer
- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries are based on RP-2000 Combined Employee and Annuitant Mortality Tables projected to 2020 using Scale BB, set back one year for males.
- Mortality assumptions among Disabled Retirees are based on RP-2000 Combined Employee and Annuitant Mortality Tables.

Discount Rate

The discount rate used to measure the total pension asset was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members and employers will be made based on the PERB's funding policy, which establishes the contractually required rates under MCA. The State contributes 10.18% of salaries paid by employers, however, this is considered an employer contribution since HPORS is a single-employer plan and the State is the only employer. Based on those assumptions, the HPORS's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2129. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. A municipal bond rate was not incorporated in the discount rate.

Target Allocations

The long-term expected return on pension plan assets is reviewed as part of the regular experience study prepared for the HPORS. The most recent analysis, performed for the six-year period ended June 30, 2016, is outlined in a report dated May 2017, and can be located on the MPERA website. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions adopted by similar public pension systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the HPORS's target asset allocation as of June 30, 2019, is summarized in the table that follows:

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Cash Equivalents	3.00%	4.09%
Domestic Equity	36.00%	6.05%
Foreign Equity	18.00%	7.01%
Fixed Income	23.00%	2.17%
Private Equity	12.00%	10.53%
Real Estate	8.00%	5.65%
Total	100.00%	

Sensitivity Analysis

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the table below presents the net pension liability calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.65%) or 1.00% higher (8.65%) than the current rate.

(in thousands)

	1.0% Decrease (6.65%)	Current Discount Rate	1.0% Increase (8.65%)
HPORS net pension liability	$ 117,532	$ 84,950	$ 58,614

Net Pension Liability

In accordance with GASB 68, the employer is required to recognize and report certain amounts associated with its participation in the HPORS. GASB 68 became effective June 30, 2015, and includes requirements for participant to record and report its net pension liability (NPL), pension expense, deferred inflows or resources, and deferred outflows of resources associated with pensions.

(dollars presented in thousands)

	Net Pension Liability as of 6/30/18	Net Pension Liability as of 6/30/19	Percent of NPL
Employer's proportionate share	$ 78,382	$ 84,950	100%

At June 30, 2020, the employer reported a liability of $85.0 million for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, with update procedures used to roll forward the total pension liability to June 30, 2019. The employer's proportion of the net pension liability was based on the employer's contributions received by HPORS during the measurement period July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of the HPORS participating employers.

Changes in actuarial assumptions and methods: There were no changes in assumptions or other inputs that affected the measurement of the total pension liability.

Changes in benefit terms: There have been no changes in benefit terms since the previous measurement date.

Changes in proportionate share: There were no changes between the measurement date of the net pension liability and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the net pension liability.

Other Items Related to and Changes in Net Pension Liability

	(in thousands)		
	Total Pension Liability	**Plan Fiduciary Net Position**	**Net Pension Liability**
Balances at 6/30/2018	$ 227,581	$ 149,199	$ 78,382
Service costs	3,453	—	3,453
Interest	16,926	—	16,926
Difference expected and actual experience	2,413	—	2,413
Contributions – employer	—	5,845	(5,845)
Contributions – non-employer (State)	—	233	(233)
Contributions – member	—	2,002	(2,002)
Net investment income	—	8,269	(8,269)
Refund of contributions	(582)	(582)	—
Benefit payments	(12,063)	(12,063)	—
Administrative expense	—	(127)	127
Other changes	—	2	(2)
Net changes	10,147	3,579	6,568
Balances at 6/30/2019	$ 237,728	$ 152,778	$ 84,950

Pension Expense

At June 30, 2020, the employer recognized pension expense of $12.1 million for the HPORS.

Deferred Outflows and Inflows

At June 30, 2020, the employer recognized a beginning deferred outflow of resources for fiscal year 2019 contributions of $6.1 million.

As of the fiscal year ended June 30, 2020, remaining deferred outflows of resources and deferred inflows of resources related to the HPORS are from the following sources:

	(in thousands)			
	Deferred Outflows of Resources		Deferred Inflows of Resources	
Difference between expected and actual experience	$	2,798	$	—
Changes of assumptions		1,973		—
Net difference between projected and actual earnings on pension plan investments		733		—
Contributions paid to HPORS subsequent to the measurement date – FY 2020 contributions		6,209		—
Totals	$	11,713	$	—

Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions made subsequent to the June 30, 2019, measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	(in thousands)	
Year ended June 30:	Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense	
2021	$	4,087
2022		(38)
2023		862
2024		593

<u>Game Wardens' & Peace Officers' Retirement System</u> – The GWPORS, administered by the MPERA, is a multi-employer, cost-sharing defined benefit plan established in 1963, and governed by Title 19, chapters 2 & 8, MCA. This plan provides retirement benefits to all persons employed as a game warden, warden supervisory personnel, or state peace officer. Benefits are established by state law and can only be amended by the Legislature. The GWPORS provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and highest average compensation.

The State of Montana and its discretely presented component units are the only employers who participate in the GWPORS. Therefore, while the plan is considered to be a multi-employer, cost-sharing defined benefit plan for actuarial valuation purposes, in accordance with GASB 68, the plan is treated as if it were a single-employer defined benefit pension plan type for financial reporting.

Summary of Benefits

Member's highest average compensation (HAC)
Hired prior to July 1, 2011 – highest average compensation during any consecutive 36 months;
Hired on or after July 1, 2011 – highest average compensation during any consecutive 60 months;
Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member's HAC.

Eligibility for benefit
Service Retirement
Age 50, 20 years of membership service.

Early Retirement (reduced benefit)
Age 55, vested members who terminate employment prior to 20 years of membership service.

Vesting
5 years of membership service.

Monthly benefit formula
2.5% of HAC per year of service credit.

Guaranteed Annual Benefit Adjustment (GABA)
After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of all other adjustments to the member's benefit:

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007

Contributions to the Plan
Rates are specified by state law for periodic employee and employer contributions. The Legislature has the authority to establish and amend contribution rates to the plan.

Member contributions to the system – Contributions are deducted from each member's salary and remitted by participating employers. Plan members are required to contribute 10.56% of member's compensation.

Employer contributions to the system – State agency and university employers are required to contribute 9.0% of a member's compensation.

Actuarial Assumptions
The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, with update procedures used to roll forward the total pension liability to June 30, 2019. The actuarial assumptions used in the June 30, 2019, valuation were based on the results of the last actuarial experience study, dated May 2017 for the six-year period ended June 30, 2016. There were several significant assumptions and other inputs used to measure the total pension liability. Among those assumptions were the following:

- Investment Return 7.65%
- Admin Expense as a % of payroll 0.23%
- General Wage Growth 3.50%
- Inflation at 2.75%
- Merit Increases 0% to 6.30%
- Postretirement Benefit Increases – After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, inclusive of other adjustments to the member's benefit:
  - 3.00% for members hired prior to July 1, 2007
  - 1.50% for members hired on or after July 1, 2007
- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries are based on RP-2000 Combined Employee and Annuitant Mortality Tables projected to 2020 using Scale BB, set back one year for males.
- Mortality assumptions among Disabled Retirees are based on RP-2000 Combined Employee and Annuitant Mortality Tables.

Discount Rate
The discount rate used to measure the total pension asset was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members and employers will be made based on the PERB's funding policy, which establishes the contractually required rates under MCA. Based on those assumptions, the GWPORS's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2119. Therefore, the long-term expected rate of return

on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. A municipal bond rate was not incorporated in the discount rate.

Target Allocations

The long-term expected return on pension plan assets is reviewed as part of the regular experience study prepared for the GWPORS. The most recent analysis, performed for the six-year period ended June 30, 2016, is outlined in a report dated May 2017, and can be located on the MPERA website. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions adopted by similar public pension systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the GWPORS's target asset allocation as of June 30, 2019, is summarized in the table that follows:

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Cash Equivalents	3.00%	4.09%
Domestic Equity	36.00%	6.05%
Foreign Equity	18.00%	7.01%
Fixed Income	23.00%	2.17%
Private Equity	12.00%	10.53%
Real Estate	8.00%	5.65%
Total	100.00%	

Sensitivity Analysis

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the table below presents the net pension liability calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.65%) or 1.00% higher (8.65%) than the current rate.

(in thousands)

	1.0% Decrease (6.65%)	Current Discount Rate	1.0% Increase (8.65%)
Primary government employer GWPORS net pension liability	$ 73,739	$ 38,635	$ 9,965
Discretely presented component units employer GWPORS net pension liability	3,875	2,030	524
Total employer GWPORS net pension liability	$ 77,614	$ 40,665	$ 10,489

Net Pension Liability

In accordance with GASB 68, employers are required to recognize and report certain amounts associated with their participation in the GWPORS. Statement 68 became effective June 30, 2015, and includes requirements for participants to record and report their proportionate share of the collective net pension liability (NPL), pension expense, deferred inflows of resources and deferred outflows of resources associated with pensions.

(dollars presented in thousands)

	Net Pension Liability as of 6/30/18	Net Pension Liability as of 6/30/19	Percent of Collective NPL
Primary government employer proportionate share	$ 38,851	$ 38,635	95.007027 %
Discretely presented component units employer proportionate share	2,096	2,030	4.992973 %
Total employer GWPORS proportionate share	$ 40,947	$ 40,665	100 %

At June 30, 2020, the employer reported a total liability of $40.7 million for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, with update procedures used to roll forward the total pension liability to June 30, 2019. The employer's proportion of the net pension liability was based on the employer's contributions received by GWPORS during the measurement period July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of GWPORS participating employers.

Changes in actuarial assumptions and methods: There were no changes in assumptions or other inputs that affected the measurement of the total pension liability.

Changes in benefit terms: There have been no changes in benefit terms since the previous measurement date.

Changes in proportionate share: Between the measurement date of the collective net pension liability and the employer's reporting date, there were no changes in proportion that are expected to have a significant effect on the employer's proportionate share of the collective net pension liability.

Other Items Related to and Changes in Net Pension Liability

The State, as the primary government employer, has the following balances and changes related to the GWPORS's Net Pension Liability:

(in thousands)

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at 6/30/2018	$ 222,467	$ 183,616	$ 38,851
Service costs	7,604	—	7,604
Interest	16,738	—	16,738
Difference between expected and actual experience	(4,492)	—	(4,492)
Contributions – employer	—	4,452	(4,452)
Contributions – member	—	5,288	(5,288)
Net investment income	—	10,569	(10,569)
Refunds of contributions	(951)	(951)	—
Benefit payments	(6,983)	(6,983)	—
Administrative expense	—	(192)	192
Other changes [1]	296	245	51
Net changes	12,212	12,428	(216)
Balances at 6/30/2019	$ 234,679	$ 196,044	$ 38,635

[1] The Changes in Net Pension Liability table is only provided at the system level. The ending balances and the components of the changes are derived from the primary government's proportionate share of the total plan balances and the discretely presented component unit's proportionate share of the total plan balances. Due to the change in proportionate share in each year, the other changes line item includes the difference between the proportionate share of the balances and the preliminary calculated balances.

The State's discretely presented component units, as employers, have the following balances and changes related to the GWPORS's Net Pension Liability:

	(in thousands)		
	Total Pension Liability	**Plan Fiduciary Net Position**	**Net Pension Liability**
Balances at 6/30/2018	$ 12,003	$ 9,907	$ 2,096
Service costs	400	—	400
Interest	880	—	880
Difference between expected and actual experience	(236)	—	(236)
Contributions - employer	—	234	(234)
Contributions - member	—	278	(278)
Net investment income	—	556	(556)
Refunds of contributions	(50)	(50)	—
Benefit payments	(367)	(367)	—
Administrative expense	—	(10)	10
Other changes [1]	(296)	(244)	(52)
Net changes	331	397	(66)
Balances at 6/30/2019	$ 12,334	$ 10,304	$ 2,030

[1] The Changes in Net Pension Liability table is only provided at the system level. The ending balances and the components of the changes are derived from the primary government's proportionate share of the total plan balances and the discretely presented component unit's proportionate share of the total plan balances. Due to the change in proportionate share in each year, the other changes line item includes the difference between the proportionate share of the balances and the preliminary calculated balances.

Pension Expense

At June 30, 2020, the employer recognized a total pension expense of $9.5 million for its proportionate share of the GWPORS pension expense: $9.1 million related to the primary government and $441.3 thousand related to component units.

Deferred Outflows and Inflows

At June 30, 2020, the State, as a primary government employer, recognized a beginning deferred outflow of resources for fiscal year 2019 contributions of $4.4 million.

As of the fiscal year ended June 30, 2020, remaining deferred outflows of resources and deferred inflows of resources for the primary government, as an employer, related to the GWPORS are from the following sources:

	(in thousands)	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Difference between expected and actual experience	$ 5,203	$ 3,593
Net difference between projected and actual earnings on pension plan investments	820	—
Changes in assumptions	2,233	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	221	136
Contributions paid to GWPORS subsequent to the measurement date – FY 2020 contributions	4,599	—
Totals	$ 13,076	$ 3,729

Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions made subsequent to the June 30, 2019, measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021.

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	(in thousands) Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2021	$ 3,095
2022	1,487
2023	345
2024	(179)

The State's discretely presented component units, as employers, recognized a beginning deferred outflow of resources for fiscal year 2019 contributions of $225.2 thousand.

As of the fiscal year ended June 30, 2020, remaining deferred outflows of resources and deferred inflows of resources for the State's discretely presented component units, as employers, related to the GWPORS are from the following sources:

	(in thousands) Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 273	$ 189
Net difference between projected and actual earnings on pension plan investments	43	—
Changes in assumptions	118	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	—	85
Contributions paid to GWPORS subsequent to the measurement date – FY 2020 contributions	238	—
Totals	$ 672	$ 274

Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions made subsequent to the June 30, 2019, measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	(in thousands) Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2021	$ 128
2022	43
2023	6
2024	(17)

(2) State as an Employer and/or a Nonemployer Contributing Entity to Cost-Sharing Multiple-Employer Plans

<u>Public Employees' Retirement System - Defined Benefit Retirement Plan</u> – The PERS-DBRP, administered by the MPERA, is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, Chapters

2 & 3, MCA. This plan covers employees of the State and local governments, and certain employees of the Montana University System and school districts.

All new members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the Public Employees' Retirement System-Defined Contribution Retirement Plan (PERS-DCRP) by filing an irrevocable election. Members may not be participants of both the defined contribution and defined benefit retirement plans. All new members from the universities also have a third option to join the university system's Montana University System-Retirement Program (MUS-RP).

The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are established by state law and can only be amended by the Legislature. Benefits are based on eligibility, years of service, and highest average compensation.

Summary of Benefits

Member's highest average compensation (HAC)
Hired prior to July 1, 2011 – HAC during any consecutive 36 months;
Hired on or after July 1, 2011 – HAC during any consecutive 60 months;
Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member's HAC.

Eligibility for benefit
Service retirement:

Hired prior to July 1, 2011 –
Age 60, 5 years of membership service;
Age 65, regardless of membership service; or
Any age, 30 years of membership service.

Hired on or after July 1, 2011 –
Age 65, 5 years of membership service;
Age 70, regardless of membership service.

Early retirement, actuarially reduced:

Hired prior to July 1, 2011 –
Age 50, 5 years of membership service; or
Any age, 25 years of membership service.
Hired on or after July 1, 2011 – Age 55, 5 years of membership service.

Second retirement (all require retuning to PERS-covered employment or PERS service):

Retire before January 1, 2016, and accumulate less than 2 years' additional service credit or retire on or after January 1, 2016, and accumulate less than 5 years' additional service credit:

- A refund of member's contributions from second employment plus regular interest (0.77%);
- No service credit for second employment;
- Start the same benefit amount the month following termination; and
- GABA starts again in the January immediately following second retirement

Retire before January 1, 2016, and accumulate at least 2 years of additional service credit:

- A recalculated retirement benefit based on laws in effect at second retirement; and
- GABA starts the January after receiving recalculated benefit for 12 months

Retire on or after January 1, 2016, and accumulate 5 or more years of additional service credit:

- The same retirement benefit as prior to their return to service;
- A second retirement benefit for second period of service based on laws in effect at second retirement;
- GABA starts on both benefits in the January after receiving the original and new benefit for 12 months

Vesting
5 years of membership service

Monthly benefit formula
Members hired prior to July 1, 2011 –
Less than 25 years of membership service: 1.785% of HAC per year of service credit;
25 years of membership service or more: 2% of HAC per year of service credit.

Members hired on or after July 1, 2011 –
Less than 10 years of membership service: 1.5% of HAC per year of service credit;
10 years or more, but less than 30 years of membership service: 1.785% of HAC per year of service credit;
30 years or more of membership service: 2% of HAC per year of service credit.

Guaranteed Annual Benefit Adjustment (GABA) – After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of other adjustments to the member's benefit:

- ◦ 3.0% for members hired prior to July 1, 2007
- ◦ 1.5% for members hired between July 1, 2007 and June 30, 2013
- ◦ Members hired on or after July 1, 2013
  - ◦. 1.5% for each year PERS is funded at or above 90%;
  - ◦. 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and,
  - ◦. 0% whenever the amortization period for PERS is 40 years or more.

Contributions to the Plan
Rates are specified by state law for periodic employee, employer, and nonemployer entity contributions. The Legislature has the authority to establish and amend contribution rates to the plan.

Member contributions to the system: Contributions are deducted from each member's salary and remitted by participating Employers. Plan members are required to contribute 7.90% of member's compensation. The 7.90% member contribution rate is temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional Employer and additional member contribution rates.

Employer contributions to the system
State and University System employers are required to contribute 8.77% of member compensation.
Local government entities are required to contribution 8.67% of member compensation.
School district employers contributed 8.40% of member compensation.

Per the 2013 Legislative Session's House Bill 454, section 4, effective July 1, 2013, PERS employer contributions temporarily increased 1%. Beginning July 1, 2014, employer contributions will increase an additional 0.1% a year over 10 years, through 2024. The Employer additional contributions, including the 0.27% added in 2007 and 2009, terminates on January 1 following actuary valuation results that show the amortization period of the PERS-DBRP has dropped below 25 years and would remain below 25 years following the reductions of both the additional employer and

member contributions rates. As of January 1, 2020, the additional contributions will not be terminated.

Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.

The portion of employer contributions allocated to the Plan Choice Rate (PCR) are included in the employer's reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.

Non-Employer Entity Contributions
Special Funding
The State contributes 0.1% of member compensation on behalf of local government entities.
The State contributes 0.37% of member compensation on behalf of school district entities.
The State contributes a Statutory Appropriation from the General Fund. Funding provided for the year ended June 30, 2020, totaled $33.6 million.

Actuarial Assumptions
The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, with update procedures used to roll forward the total pension liability to June 30, 2019. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the June 30, 2019, valuation were based on the results of the last actuarial experience study, dated May 2017 for the six-year period ended June 30, 2016. Among those assumptions were the following:

- Investment Return 7.65%
- Admin Expense as a % of Payroll 0.26%
- General Wage Growth 3.50%
- Inflation at 2.75%
- Merit Increases 0 to 4.8%
- Postretirement Benefit Increases – After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, inclusive of all other adjustments to the member's benefit:
  - 3.00% for members hired prior to July 1, 2007
  - 1.50% for members hired between July 1, 2007 and June 30, 2013
  - Members hired on or after July 1, 2013:
    - 1.50% for each year PERS is funded at or above 90%
    - 1.50% is reduced by 0.1% for each 2% PERS is funded below 90%; and
    - 0% whenever the amortization period for PERS is 40 years or more
- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries are based on RP-2000 Combined Employee and Annuitant Mortality Tables projected to 2020 using Scale BB, set back one year for males.
- Mortality assumptions among Disabled Retirees are based on RP-2000 Combined Employee and Annuitant Mortality Tables.

Discount Rate
The discount rate used to measure the total pension liability was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and nonemployer contributing entities will be made based on the PERB's funding policy, which establishes the contractually required rates under MCA. The State contributes 0.1% of salaries for local governments and 0.37% for school districts. In addition, the State contributes a Statutory Appropriation from the General Fund. Based on those assumptions, the PERS-DBRP's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2122. Therefore, the long-term expected rate of return

on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. A municipal bond rate was not incorporated in the discount rate.

Target Allocations

The long-term expected return on pension plan assets is reviewed as part of the regular experience study prepared for the PERS-DBRP. The most recent analysis, performed for the six-year period ended June 30, 2016, is outlined in a report dated May 2017, and can be located on the MPERA website. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions adopted by similar public pension systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the PERS-DBRP's target asset allocation as of June 30, 2019, is summarized in the table that follows:

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Cash Equivalents	3.00%	4.09%
Domestic Equity	36.00%	6.05%
Foreign Equity	18.00%	7.01%
Fixed Income	23.00%	2.17%
Private Equity	12.00%	10.53%
Real Estate	8.00%	5.65%
Total	100.00%	

Sensitivity Analysis

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability (NPL) to changes in the discount rate, the table below presents the net pension liability calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.65%) or 1.00% higher (8.65%) than the current rate.

(in thousands)

	1.0% Decrease (6.65%)	Current Discount Rate	1.0% Increase (8.65%)
State as an employer in PERS-DBRP – net pension liability	$ 1,175,466	$ 818,162	$ 517,893
State as a nonemployer contributing entity to PERS-DBRP – net pension liability	733,123	510,277	323,003

Net Pension Liability

In accordance with GASB 68, employers and the nonemployer contributing entities are required to recognize and report certain amounts associated with their participation in the PERS-DBRP. GASB 68 became effective June 30, 2015, and includes requirements for participants to record and report their proportionate share of the collective net pension liability, pension expense, deferred inflows of resources and deferred outflows of resources associated with pensions. The proportionate shares were determined based on contributions made to the plan by employers and the nonemployer contributing entity special funding.

In accordance with GASB 68, the PERS-DBRP has a special funding situation where the State is legally responsible for making contributions directly to the PERS-DBRP on behalf of the employers. Due to the existence of this special funding situation, the State is required to report a proportionate share of a local government or school district's collective net pension liability that is associated with the non-State employer.

(dollars presented in thousands)	Net Pension Liability as of 6/30/18	Net Pension Liability as of 6/30/19	Percent of Collective NPL
State's proportionate share as an employer entity	$ 825,387	$ 818,162	39.140686 %
State's proportionate share as a nonemployer contributing entity	520,058	510,277	24.411533 %
State of Montana totals	$ 1,345,445	$ 1,328,439	63.552219 %

At June 30, 2020, the State reported a liability of $1.3 billion for its proportionate share of the net pension liability as an employer and nonemployer contributing entity. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, with update procedures used to roll forward the total pension liability to June 30, 2019. The proportion of the net pension liability is based on the employer's and nonemployer's special funding contributions received by the PERS-DBRP during the measurement period of July 1, 2018, through June 30, 2019, relative to the total employer and nonemployer special funding contributions received from all PERS-DBRP participating employers.

Changes in actuarial assumptions and methods: There were no changes in assumptions or other inputs that affected the measurement of the total pension liability.

Changes in benefit terms: There have been no changes in benefit terms since the previous measurement date.

Changes in proportionate share: Between the measurement date of the collective net pension liability and the employer's reporting date there were no changes in proportion that would have an effect on the employer's proportionate share of the collective net pension liability.

Employer Pension Expense and Nonemployer Contributing Entity Grant Expenses

At June 30, 2020, the State as an employer recognized a pension expense of $88.0 million for its proportionate share of the PERS-DBRP's pension expense. The State as a nonemployer contributing entity recognized grant expense of $1.0 million for special funding support provided by the General Fund for its proportionate share of the PERS-DBRP's pension expense that is associated with local government and school district participants in the plan. The State as a nonemployer contributing entity recognized grant expense of $33.6 million for special funding support provided by the General Fund as a statutory appropriation for all participating employers in the plan. The State as a nonemployer contributing entity recognized pension expense of $142.7 million that is actuarially allocated to the State as a nonemployer. The total pension expense recognized by the State as a nonemployer was $177.3 million. Total pension-related expenses recognized by the State, both as employer and nonemployer contributing entity at June 30, 2020, were $265.3 million.

Deferred Outflows and Inflows

At June 30, 2020, the State as an employer recognized a beginning deferred outflow of resources for fiscal year 2019 contributions of $56.2 million.

As of the fiscal year ended June 30, 2020, the State as an employer has the following proportionate shares of the PERS-DBRP's deferred outflows of resources and deferred inflows of resources from the following sources:

	(in thousands)	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Actual versus expected experience	$ 38,795	$ 38,498
Net difference between projected and actual earnings on pension plan investments	9,920	—
Change of assumptions	34,734	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	—	116,912
Contributions paid to PERS-DBRP subsequent to the measurement date – FY 2020 contributions	58,504	—
Totals	$ 141,953	$ 155,410

Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions made subsequent to the June 30, 2019 measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	(in thousands)
Year ended June 30:	**Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense**
2021	$ (11,352)
2022	(73,202)
2023	3,690
2024	8,903

At June 30, 2020, the State as a nonemployer contributing entity recognized a beginning deferred outflow of resources for fiscal year 2019 contributions of $34.6 million.

As of the fiscal year ended June 30, 2020, the State as a nonemployer contributing entity reported its proportionate share of the PERS-DBRP's deferred outflows of resources and deferred inflows of resources from the following sources:

	(in thousands)	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Actual versus expected experience	$ 24,196	$ 24,011
Net difference between projected and actual earnings on pension plan investments	6,187	—
Change of assumptions	21,663	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	191,364	—
Contributions paid to PERS-DBRP subsequent to the measurement date – FY 2020 contributions	35,008	—
Totals	$ 278,418	$ 24,011

Amounts reported as deferred outflows of resources related to pensions resulting from the nonemployer's contributions made subsequent to the June 30, 2019 measurement date will be recognized as a reduction to its share of the net pension liability in the fiscal year ended June 30, 2021.

Other amounts reported as deferred inflows of resources related to pensions will be recognized in grant expense as follows:

		(in thousands)
Year ended June 30:		**Amount recognized in Grant Expense as an increase or (decrease) to Grant Expense**
2021	$	125,389
2022		86,156
2023		2,301
2024		5,553

<u>Sheriffs' Retirement System</u> – The SRS, administered by the MPERA, is a multiple-employer, cost-sharing defined benefit plan established July 1, 1974, and governed by Title 19, chapters 2 & 7, MCA. This plan provides retirement benefits to all Department of Justice criminal and gambling investigators hired after July 1, 1993, all detention officers hired after July 1, 2005, and to all Montana sheriffs. Benefits are established by state law and can only be amended by the Legislature. The SRS provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and highest average compensation.

Summary of Benefits

Member's highest average compensation (HAC)
Hired prior to July 1, 2011 – highest average compensation during any consecutive 36 months;
Hired on or after July 1, 2011 – highest average compensation during any consecutive 60 months.
Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member's HAC.

Eligibility for benefit
Service Retirement: 20 years of membership service, regardless of age.
Early Retirement: Age 50, 5 years of membership service, actuarially reduced.

Second Retirement (applies to retirement system members re-employed in a SRS position on or after July 1, 2017):

a. If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member:
    - is not awarded service credit for the period of reemployment;
    - is refunded the accumulated contributions associated with the period of reemployment;
    - starting the first month following termination of service receives the same retirement benefit previously paid to the member; and
    - does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA in January immediately following the second retirement.

b. If the member works more than 480 hours in a calendar year and accumulates at least 5 years of service credit before terminating again, the member:
    - is awarded service credit for the period of reemployment;
    - starting the first month following termination of service receives:
        - the same retirement benefit previously paid to the member; and
        - a second retirement benefit for the period of reemployment calculated based on the laws in effect as of the member's rehire date; and
    - do not accrue post-retirement benefit adjustments during the term of reemployment but receive a GABA:
        - on the initial retirement benefit starting in January immediately following second retirement; and

- ◦ on the second retirement benefit starting in January after receiving that benefit for at least 12 months

c. A member who returns to covered service is not eligible for a disability benefit.

Vesting
5 years of membership service

Monthly benefit formula
2.5% of HAC per year of service

Guaranteed Annual Benefit Adjustment (GABA)
After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of all other adjustments to the member's benefit.

- ◦ 3.0% for members hired prior to July 1, 2007
- ◦ 1.5% for members hired on or after July 1, 2007

Contributions to the Plan

Rates are specified by state law for periodic employee and employer contributions and are a percentage of the member's compensation. The Legislature has the authority to establish and amend contribution rates to the plan.

Member contributions to the system – Contributions are deducted from each member's salary and remitted by participating employers. Plan members are required to contribute 10.495% of member's compensation.

Employer contributions to the system – The employers are required to contribute 13.115% of member compensation. Employer contributions are required to be paid on working retiree compensation. Member contributions are not required for working retirees.

Actuarial Assumptions

The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, with update procedures used to roll forward the total pension liability to June 30, 2019. The actuarial assumptions used in the June 30, 2019 valuation were based on the results of the last actuarial experience study, dated May 2017 for the six-year period ended June 30, 2016. There were several significant assumptions and other inputs used to measure the total pension liability. Among those assumptions were the following:

- Investment Return 7.65%
- Administrative Expense as a % of Payroll 0.23%
- General Wage Growth 3.50%
- Inflation at 2.75%
- Merit Increases 0.00% to 6.30%
- Postretirement Benefit Increases – After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, inclusive of other adjustments to the member's benefit.
  - ◦ 3.00% for members hired prior to July 1, 2007
  - ◦ 1.50% for members hired on or after July 1, 2007
- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries are based on RP-2000 Combined Employee and Annuitant Mortality Tables projected to 2020 using Scale BB, set back one year for males.
- Mortality assumptions among Disabled Retirees are based on RP-2000 Combined Employee and Annuitant Mortality Tables.

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and nonemployer contributing entities will be made based on the PERB's funding policy, which establishes the contractually required rates under MCA. SRS's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2120. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. A municipal bond rate was not incorporated in the discount rate.

Target Allocations

The long-term expected return on pension plan assets is reviewed as part of the regular experience study prepared for the SRS. The most recent analysis, performed for the six-year period ended June 30, 2016, is outlined in a report dated May 2017, and can be located on the MPERA website. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions adopted by similar public pension systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the SRS's target asset allocation as of June 30, 2019, is summarized in the table that follows:

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Cash Equivalents	3.00%	4.09%
Domestic Equity	36.00%	6.05%
Foreign Equity	18.00%	7.01%
Fixed Income	23.00%	2.17%
Private Equity	12.00%	10.53%
Real Estate	8.00%	5.65%
Total	100.00%	

Sensitivity Analysis

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the table below presents the net pension liability calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.65%) or 1.00% higher (8.65%) than the current rate.

(in thousands)

	1.0% Decrease (6.65%)	Current Discount Rate	1.0% Increase (8.65%)
Employer's SRS net pension liability	$ 7,216	$ 4,067	$ 1,486

Net Pension Liability

In accordance with GASB 68, employers are required to recognize and report certain amounts associated with their participation in the SRS. GASB 68 became effective June 30, 2015, and includes requirements for participants to record and report their proportionate share of the collective net pension liability (NPL), pension expense, deferred inflows of resources, and deferred outflows of resources associated with pensions.

(dollars presented in thousands)

	Net Pension Liability as of 6/30/18	Net Pension Liability as of 6/30/19	Percent of Collective NPL
Employer proportionate share	$ 3,663	$ 4,067	4.876949 %

At June 30, 2020, the State, as an employer, reported a liability of $4.1 million for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, with update procedures used to roll forward the total pension liability to June 30, 2019. The employer's proportion of the net pension liability was based on the employer's contributions received by the SRS during the measurement period, July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of SRS participating employers.

Changes in actuarial assumptions and methods: There were no changes in assumptions or other inputs that affected the measurement of the total pension liability.

Changes in benefit terms: There have been no changes in benefit terms since the previous measurement date.

Changes in proportionate share: Between the measurement date of the collective net pension liability and the employer's reporting date, there were no changes in proportion that are expected to have a significant effect on the Employer's proportionate share of the collective net pension liability.

Pension Expense

At June 30, 2020, the employer recognized a pension expense/(income) of $63.0 thousand for its proportionate share of the SRS pension expense/(income).

Deferred Outflows and Inflows

At June 30, 2020, the State as an employer recognized a beginning deferred outflow of resources for fiscal year 2019 contributions of $513.5 thousand.

As of the fiscal year ended June 30, 2020, the State, as an employer, reported its proportionate share of the SRS's deferred outflows of resources and deferred inflows of resources from the following sources:

(in thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	$ 262	$ 5
Net difference between projected and actual earnings on pension plan investments	79	—
Changes of assumptions	1,273	2,196
Changes in proportion and differences between employer contributions and proportionate share of contributions	—	312
Contributions paid to SRS subsequent to the measurement date – FY 2020 contributions	530	—
Totals	$ 2,144	$ 2,513

Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions made subsequent to the measurement date of June 30, 2019, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021.

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	(in thousands) Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2021	$ (460)
2022	(645)
2023	109
2024	97

Municipal Police Officers' Retirement System – The MPORS, administered by the MPERA, is a multiple-employer, cost-sharing defined benefit plan that was established in 1974 and is governed by Title 19, chapters 2 & 9, MCA. This plan covers all municipal police officers employed by first- and second-class cities and other cities that adopt the plan. Benefits are established by state law and can only be amended by the Legislature. The MPORS provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and final average compensation.

Deferred Retirement Option Plan (DROP)

Beginning July 2002, eligible members of the MPORS can participate in the DROP by filing a one-time irrevocable election with the PERB. The DROP is governed by Title 19, Chapter 9, Part 12, MCA. A member must have completed at least twenty years of membership service to be eligible. They may elect to participate in the DROP for a minimum of one month and a maximum of 60 months and may only participate in the DROP once. A participant remains a member of the MPORS, but will not receive membership service or service credit in the system for the duration of the member's DROP period. During participation in the DROP, all mandatory contributions continue to the retirement system. A monthly benefit is calculated based on salary and years of service to the date of the beginning of the DROP period. The monthly benefit is paid into the member's DROP account until the end of the DROP period. At the end of the DROP period, the participant may receive the balance of the DROP account in a lump-sum payment or a direct rollover to another eligible plan, as allowed by the IRS. If the participant continues employment after the DROP period ends, they will again accrue membership service and service credit. The DROP account cannot be distributed until employment is formally terminated. As of June 30, 2020, the balance held by MPERA for MPORS DROP participants was approximately $10.7 million.

The State is not an employer participant in the MPORS plan. However, because the PERB is a fiduciary component unit of the State, this CAFR presents certain information to help ensure compliance with GASB 67. In addition, the State provides nonemployer entity contributions classified as special funding in accordance with GASB 68. Disclosures made in this financial report for MPORS are meant to reflect the aforementioned relationships.

Summary of Benefits

Member's final average compensation (FAC)
Hired prior to July 1, 1977 – average monthly compensation of final year of service;
Hired on or after July 1, 1977 – final average compensation (FAC) for last consecutive 36 months.
Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member's FAC.

Eligibility for benefit
Service Retirement: Age 50, with 5 years of membership service, or 20 years of membership service, regardless of age.
Second Retirement: Age 50, reemployed in a MPORS position

Vesting
Death and disability rights are vested immediately.
5 years of membership service.

Monthly benefit formula
2.5% of FAC per year of service credit.

Second retirement benefit formula for members re-employed in a MPORS position after July 1, 2017:

1) If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member:
   a. Is not awarded service credit for the period of reemployment;
   b. Is refunded the accumulated contributions associated with the period of reemployment;
   c. Starting the first month following termination of service receives the same retirement benefit previously paid to the member; and
   d. Does not accrue post-retirement benefit adjustments during the term of reemployment but receives a Guaranteed Annual Benefit Adjustment (GABA) in January immediately following second retirement.
2) If the member works more than 480 hours in a calendar year and accumulates at least 5 years of service credit before terminating again, the member:
   a. Is awarded service credit for the period of reemployment;
   b. Starting the first month following termination of service receives:
      i. The same retirement benefit previously paid to the member, and
      ii. A second retirement benefit for the period of reemployment calculated based on the laws in effect as of the member's rehire date; and
   c. Does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA:
      i. On the initial retirement benefit in January immediately following second retirement, and
      ii. On the second retirement benefit starting in January after receiving that benefit for at least 12 months.
3) A member who returns to covered service is not eligible for a disability benefit.

Guaranteed Annual Benefit Adjustment (GABA)
Hired on or after July 1, 1997, or those electing GABA – after the member has completed 12 full months of retirement, the member’s benefit increases by a maximum of 3% each January, inclusive of all other adjustments to the member’s benefit.

Minimum benefit adjustment (non-GABA) If hired before July 1, 1997, and member did not elect GABA – the monthly retirement, disability, or survivor’s benefit may not be less than 50% of the compensation of a newly confirmed officer of the employer where the member was last employed.

Contributions to the Plan
Rates are specified by state law for periodic employee, employer, and nonemployer entity contributions. The Legislature has the authority to establish and amend contribution rates to the plan.

Member contributions – Contribution rates are dependent upon the date of hire as a police officer. Contributions are deducted from each member’s salary and remitted by the participating Employer. For fiscal year 2020:
- If hired prior to July 1, 1975, member contributions as a percentage of salary are 5.80%
- If hired after June 30, 1975, and prior to July 1, 1979, member contributions as a percentage of salary are 7.00%;
- If hired after June 30, 1979, and prior to July 1, 1997, member contributions as a percentage of salary are 8.50%; and,
- If hired on or after July 1, 1997, and for members electing GABA, member contributions as a percentage of salary are 9.00%.

Employer Contributions – Employers are required to contribute 14.41% of a member’s compensation.

Nonemployer Entity Contributions – The State contributes 29.37% of a member’s compensation from the General Fund. These amounts are considered a special funding situation in accordance with GASB 68.

Actuarial Assumptions

The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, with update procedures used to roll forward the total pension liability to June 30, 2019. The actuarial assumptions used in the June 30, 2019 valuation were based on the results of the last actuarial experience study, dated May 2017 for the six-year period ended June 30, 2016. There were several significant assumptions and other inputs used to measure the total pension liability. Among those assumptions were the following:

- Investment Return 7.65%
- Admin expense as a % of Payroll 0.23%
- General Wage Growth 3.50%
- Inflation at 2.75%
- Merit Increases 0.00% to 6.60%
- Postretirement Benefit Increases
  - GABA
    Hired on or after July 1, 1997, or those electing GABA – after the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3% each January, inclusive of all other adjustments to the member's benefit
  - Minimum benefit adjustment (non-GABA)
    If hired before July 1, 1997 and member did not elect GABA – the monthly retirement, disability or survivor's benefit may not be less than 50% the compensation of a newly confirmed officer in the city that the member was last employed
- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries are based on RP-2000 Combined Employee and Annuitant Mortality Tables projected to 2020 using Scale BB, set back one year for males.
- Mortality assumptions among Disabled Retirees are based on RP-2000 Combined Employee and Annuitant Mortality Tables.

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and nonemployer contributing entities will be made based on the PERB's funding policy, which establishes the contractually required rates under MCA. The State contributes 29.37% of salaries paid by employers. Based on those assumptions, the MPORS's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2133. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. A municipal bond rate was not incorporated in the discount rate.

Target Allocations

The long-term expected return on pension plan assets is reviewed as part of the regular experience study prepared for the MPORS. The most recent analysis, performed for the six-year period ended June 30, 2016, is outlined in a report dated May 2017, and can be located on the MPERA website. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions adopted by similar public pension systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major

asset class included in the MPORS's target asset allocation as of June 30, 2019, is summarized in the table that follows:

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Cash Equivalents	3.00%	4.09%
Domestic Equity	36.00%	6.05%
Foreign Equity	18.00%	7.01%
Fixed Income	23.00%	2.17%
Private Equity	12.00%	10.53%
Real Estate	8.00%	5.65%
Total	100.00%	

Sensitivity Analysis

In accordance with GASB 68, regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the table below presents the net pension liability calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.65%) or 1.00% higher (8.65%) than the current rate.

(in thousands)

	1.0% Decrease (6.65%)	Current Discount Rate	1.0% Increase (8.65%)
State as a nonemployer entity net pension liability	$ 196,248	$ 133,487	$ 83,247

Net Pension Liability

In accordance with GASB 68, employers and nonemployer contributing entities are required to recognize and report certain amounts associated with their participation in the MPORS. GASB 68 became effective June 30, 2015, and includes requirements for participants to record and report their proportionate share of the collective net pension liability, pension expense, deferred inflows of resources, and deferred outflows of resources associated with pensions.

In accordance with GASB 68, the MPORS has a special funding situation in which the State is legally responsible for making contributions directly to the MPORS on behalf of the employers. Due to the existence of this special funding situation, the State is required to report a proportionate share of a local government's collective net pension liability that is associated with the non-State employer.

(dollars presented in thousands)

	Net Pension Liability as of 6/30/18	Net Pension Liability as of 6/30/19	Percent of Collective NPL
State as a nonemployer contributing entity – proportionate share	$ 114,956	$ 133,487	67.063878 %

At June 30, 2020, the State, as a nonemployer contributing entity, reported a liability of $133.5 million for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, with update procedures used to roll forward the total pension liability to June 30, 2019. The nonemployer's proportion of the net pension liability was based on the nonemployer's special funding contributions received by the MPORS during the measurement period of July 1, 2018, through June 30, 2019, relative to total contributions received from all of the MPORS's participating employers and the nonemployer contributing entity.

Changes in actuarial assumptions and methods: There were no changes in assumptions or other inputs that affected the measurement of the total pension liability.

Changes in benefit terms: There have been no changes in benefit terms since the previous measurement date.

Changes in proportionate share: Between the measurement date of the collective net pension liability and the employer's reporting date, there were no changes in proportion that effect on the employer's proportionate share of the collective net pension liability.

Grant Expense Related to Special Funding

The State recognized grant expense of $21.0 million for special funding support provided by the General Fund for its proportionate share of the MPORS's pension expense that is associated with other employer participants in the plan.

Deferred Outflows and Inflows

At June 30, 2020, the State as a nonemployer contributing entity recognized a beginning deferred outflow of resources for fiscal year 2019 contributions of $15.9 million.

As of the fiscal year ended June 30, 2020, the State as a nonemployer reported its proportionate share of the deferred outflows of resources and deferred inflows of resources related to MPORS from the following sources:

(in thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 11,847	$ 848
Net difference between projected and actual earnings on pension plan investments	2,481	—
Change of assumptions	2,685	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	209	—
tributions paid to MPORS subsequent to the measurement date – FY 2020 Contributions	16,677	—
Totals	$ 33,899	$ 848

Amounts reported as deferred outflows of resources related to pensions resulting from the nonemployer's contributions made subsequent to the June 30, 2019, measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021.

Other amounts reported as deferred inflows of resources related to pensions will be recognized in grant expense as follows:

(in thousands)

Year ended June 30:	Amount recognized in Grant Expense as an increase or (decrease) to Grant Expense
2021	$ 7,579
2022	2,955
2023	4,590
2024	1,250

<u>Firefighters' Unified Retirement System</u> – The FURS, administered by the MPERA, is a multiple-employer, cost-sharing defined benefit plan established in 1981, and governed by Title 19, chapters 2 & 13, MCA. This system provides retirement benefits to firefighters employed by first- and second-class cities, other cities and rural fire district departments that adopt the plan, and to firefighters hired by the Montana Air National Guard on or after October 1, 2001. Benefits are established by state law and can only be amended by the Legislature. The FURS provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and compensation.

Summary of Benefits

Member's compensation

Hired prior to July 1, 1981 and not electing GABA – highest monthly compensation (HMC);

Hired after June 30, 1981, and those electing GABA – highest average compensation (HAC) during any consecutive 36 months.

Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member's highest average compensation.

Part-time firefighter – 15% of regular compensation of a newly confirmed full-time firefighter.

Eligibility for benefit

Service retirement: 20 years of membership service, regardless of age.

Early Retirement: Age 50, 5 years of membership service.

Vesting

Death and disability rights are vested immediately

5 years of membership service.

Monthly benefit formula

Members hired prior to July 1, 1981, and not electing GABA are entitled to the greater of:

2.5% of HMC per year of service; or

- if less than 20 years of service – 2% of HMC for each year of service;
- if more than 20 years of service – 50% of the member's HMC plus 2% of the member's HMC for each year of service over 20 years.

Members hired on or after July 1, 1981, and those electing GABA: 2.5% of HAC per year of membership service.

Guaranteed Annual Benefit Adjustment (GABA)

Hired on or after July 1, 1997, or those electing GABA – after the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3% each January, inclusive of all other adjustments to the member's benefit.

Minimum Benefit Adjustment (non-GABA)

If hired before July 1, 1997 and the member did not elect GABA, the monthly retirement, disability, or survivor's benefit may not be less than 50% of the compensation of a newly confirmed active firefighter of the employer that last employed the member.

Contributions to the Plan

Rates are specified by state law for periodic employee, employer, and nonemployer entity contributions. The Legislature has the authority to establish and amend contribution rates to the plan. Effective July 1, 2013, employer and state contributions are required to be paid on working retiree compensation. Member contributions are not required for working retirees.

Member contributions to the system – Contributions are deducted from each member's salary and remitted by the participating Employer. For members:

Hired prior to July 1, 1997, and not electing GABA, member contributions as a percentage of salary are 9.50%;

Hired on or after July 1, 1997, and electing GABA, member contributions as a percentage of salary are 10.70%.

Employer contributions to the system – Employers are required to contribute 14.36% of member's compensation.

Nonemployer entity contributions to the system – The State contributes 32.61% of a member's compensation from the General Fund.

Actuarial Assumptions

The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, with update procedures used to roll forward the total pension liability to June 30, 2019. The actuarial assumptions used in the June 30, 2019, valuation were based on the results of the last actuarial experience study, dated May 2017 for the six-year period ended June 30, 2016. There were several significant assumptions and other inputs used to measure the total pension liability. Among those assumptions were the following:

- Investment Return 7.65%
- Admin Expense as a % of Payroll 0.25%
- General Wage Growth 3.50%
- Inflation at 2.75%
- Merit Increases 0% to 6.30%
- Postretirement Benefit Increases
  - GABA

    Hired on or after July 1, 1997, or those electing GABA – after the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3% each January, inclusive of all other adjustments to the member's benefit.
  - Minimum Benefit Adjustment (non-GABA)

    Hired before July 1, 1997, and member did not elect GABA – the monthly retirement, disability, or survivor's benefit may not be less than 50% the compensation of a newly confirmed firefighter employed by the city that last employed the member.
- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries are based on RP-2000 Combined Employee and Annuitant Mortality Tables projected to 2020 using Scale BB, set back one year for males.
- Mortality assumptions among Disabled Retirees are based on RP-2000 Combined Employee and Annuitant Mortality Tables.

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and nonemployer contributing entities will be made based on the PERB's funding policy, which establishes the contractually required rates under MCA. The State contributes 32.61% of salaries paid by employers. Based on those assumptions, the FURS's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2133. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. A municipal bond rate was not incorporated in the discount rate.

Target Allocations

The long-term expected return on pension plan assets is reviewed as part of the regular experience study prepared for the FURS. The most recent analysis, performed for the six-year period ended June 30, 2016, is outlined in a report dated May 2017, and can be located on the MPERA website. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions adopted by similar public pension systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the FURS's target asset allocation as of June 30, 2019, is summarized in the table that follows:

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Cash Equivalents	3.00%	4.09%
Domestic Equity	36.00%	6.05%
Foreign Equity	18.00%	7.01%
Fixed Income	23.00%	2.17%
Private Equity	12.00%	10.53%
Real Estate	8.00%	5.65%
Total	100.00%	

Sensitivity Analysis
In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the table below presents the net pension liability calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.65%) or 1.00% higher (8.65%) than the current rate.

(in thousands)

	1.0% Decrease (6.65%)	Current Discount Rate	1.0% Increase (8.65%)
State as an employer in FURS – net pension liability	$ 4,033	$ 2,309	$ 919
State as a nonemployer contributing entity to FURS – net pension liability	138,890	79,524	31,656

Net Pension Liability
In accordance with GASB 68, employers and nonemployer contributing entities are required to recognize and report certain amounts associated with their participation in the FURS. GASB 68 became effective June 30, 2015, and includes requirements to record and report their proportionate share of the collective net pension liability, pension expense, deferred inflows of resources and deferred outflows of resources associated with pensions.

In accordance with GASB 68, the FURS has a special funding situation in which the State is legally responsible for making contributions directly to the FURS on behalf of the employers. Due to the existence of this special funding situation, the State is required to report a proportionate share of a local government or fire district's collective net pension liability that is associated with the non-State employer.

(dollars presented in thousands)

	Net Pension Liability as of 6/30/18	Net Pension Liability as of 6/30/19	Percent of Collective NPL
State's proportionate share as an employer entity	$ 2,650	$ 2,309	2.013129 %
State's proportionate share as a nonemployer contributing entity	78,285	79,524	69.323577 %
State of Montana totals	$ 80,935	$ 81,833	71.336706 %

At June 30, 2020, the State reported a liability of $81.8 million for its proportionate share of the net pension liability as an employer and nonemployer contributing entity in relation to the FURS. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, with update procedures used to roll forward the total pension liability to June 30, 2019. The proportion of the net pension liability was based on all employer and nonemployer contributions received by the FURS during the measurement period, July 1, 2018, through June 30, 2019, relative to the total contributions received from all FURS participating employers and the nonemployer contributing entity.

Changes in actuarial assumptions and methods: There were no changes in assumptions or other inputs that affected the measurement of the total pension liability.

Changes in benefit terms: There have been no changes in benefit terms since the previous measurement date.

Changes in proportionate share: Between the measurement date of the collective net pension liability and the employer's reporting date, there were no changes in proportion that effect the employer's proportionate share of the collective net pension liability.

Employer Pension Expense and Nonemployer Contributing Entity Special Funding Grant Expense

At June 30, 2020, the State as an employer recognized pension expense of $530.1 thousand for its proportionate share of the FURS pension expense. The State also recognized grant expense of $17.0 million for special funding support provided by the General Fund for its proportionate share of the FURS's pension expense that is associated with other employer participants in the plan. Total pension-related expenses at June 30, 2020, was $17.5 million.

Deferred Outflows and Inflows

At June 30, 2020, the State, as an employer, recognized a beginning deferred outflow of resources for fiscal year 2019 contributions of $493.5 thousand.

As of the fiscal year ended June 30, 2020, the State as an employer reported its proportionate share of deferred outflows of resources and deferred inflows of resources related to the FURS from the following sources:

	(in thousands)	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Difference between actual and expected experience	$ 208	$ 24
Net difference between projected and actual earnings on pension plan investments	77	—
Change of assumptions	170	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	30	171
Contributions paid to FURS subsequent to the measurement date – FY 2020 contributions	599	—
Totals	$ 1,084	$ 195

Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions made subsequent to the measurement date of June 30, 2019, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	(in thousands)
Year ended June 30:	**Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense**
2021	$ 191
2022	7
2023	90
2024	50
2025	(48)

At June 30, 2020, the State recognized a beginning deferred outflow of resources as a nonemployer contributing entity for fiscal year 2019 contributions of $16.2 million.

As of the fiscal year ended June 30, 2020, the State as a nonemployer contributing entity reported its proportionate share of deferred outflows of resources and deferred inflows of resources related to FURS from the following sources:

	(in thousands)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 7,149	$ 825
Net difference between projected and actual earnings on pension plan investments	2,650	—
Change in assumptions	5,863	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,186	—
Contributions paid to FURS subsequent to the measurement date – FY 2020 contributions	17,147	—
Totals	$ 33,995	$ 825

Amounts reported as deferred outflows of resources related to pensions resulting from the nonemployer's contributions made subsequent to the June 30, 2019 measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021.
Other amounts reported as deferred inflows of resources related to pensions will be recognized in grant expense as follows:

	(in thousands)
Year ended June 30:	Amount recognized in Grant Expense as an increase or (decrease) to Grant Expense
2021	$ 5,294
2022	2,773
2023	4,693
2024	3,160
2025	103

Volunteer Firefighters' Compensation Act – The VFCA, administered by the MPERA, is a multiple-employer, cost-sharing defined benefit plan that was established in 1965, and governed by Title 19, chapter 17, MCA. All members are unpaid volunteers and the State is the only contributor to the plan. Benefits are established by state law and can only be amended by the Legislature. The VFCA provides pension, disability, and survivorship benefits for all eligible volunteer firefighters who are members of qualified volunteer fire companies in unincorporated areas, towns or villages, and includes volunteer fire departments, fire districts, and fire service areas under the laws of the State. Benefits are based on eligibility and years of service. Member rights are vested after ten years of credited service. The VFCA also provides limited benefits for death or injuries incurred in the line of duty. A member who chooses to retire and draw a pension benefit may return to service with a volunteer fire department without loss of benefits. However, a returning retired member may not be considered an active member accruing credit for service.

Summary of Benefits

Eligibility for benefit
Age 55, 20 years of credited service;
Age 60, 10 years of credited service.

Effective July 1, 2011, members who retire on or after July 1, 2011, and have greater than 30 years of credited service will receive $7.50 per month for each additional year of credited service over 30 years if the pension trust fund is actuarially sound, amortizing any unfunded liabilities in 20 years or less. This determination will be made annually and a member's benefit will be capped at $250 a month (30 years of credited service) if the amortization period grows to greater than 20 years.

Vesting

10 years of credited service.

Monthly benefit formula (effective January 1, 2016)
$8.75 per year of credited service up to 20 years;
$7.50 per year of credited service after 20 years

Contributions to the Plan

The State, as a nonemployer contributing entity, is the only contributor to the VFCA. Contributions are 5% of fire insurance premium taxes collected on certain fire risks. This requires the plan to be treated as a special funding situation in accordance with GASB 68. The State Auditor makes annual payments from the General Fund to the VFCA fund. Rates are specified by state law for contributions to the VFCA plan. The State legislature has the authority to establish and amend contribution rates to the plan.

Actuarial Assumptions

The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, with update procedures used to roll forward the total pension liability to June 30, 2019. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the June 30, 2019, valuation were based on the results of the last actuarial experience study, dated May 2017 for the six-year period ended June 30, 2016. Among those assumptions were the following:

- Investment Return 7.65%
- Inflation at 2.75%
- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries are based on RP-2000 Combined Employee and Annuitant Mortality Tables projected to 2020 using Scale BB, set back one year for males.
- Mortality assumptions among Disabled Retirees are based on RP-2000 Combined Employee and Annuitant Mortality Tables.

For VFCA, administrative expenses are assumed to equal $70.6 thousand. This dollar amount is added to normal cost for valuation purposes.

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from the nonemployer contributing entity will be made based on the PERB's funding policy, which establishes the contractually required rates under MCA. The State contributes 5% of fire insurance premium taxes paid on certain fire risks. Based on those assumptions, the VFCA's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2111. A municipal bond rate was not incorporated in the discount rate.

Target Allocations

The long-term expected return on pension plan assets is reviewed as part of the regular experience study prepared for the VFCA. The most recent analysis, performed for the six-year period ended June 30, 2016, is outlined in a report dated May 2017, and can be located on the MPERA website. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions adopted by similar public pension systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the VFCA's target asset allocation as of June 30, 2019, is summarized in the table that follows:

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Cash Equivalents	3.00%	4.09%
Domestic Equity	36.00%	6.05%
Foreign Equity	18.00%	7.01%
Fixed Income	23.00%	2.17%
Private Equity	12.00%	10.53%
Real Estate	8.00%	5.65%
Total	100.00%	

Sensitivity Analysis

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the above table presents the net pension liability calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.65%) or 1.00% higher (8.65%) than the current rate.

(in thousands)

	1.0% Decrease (6.65%)	Current Discount Rate	1.0% Increase (8.65%)
State as a nonemployer entity net pension liability	$ 11,433	$ 6,907	$ 3,069

Net Pension Liability

In accordance with GASB 68, employers and nonemployer contributing entities are required to recognize and report certain amounts associated with their participation in the VFCA. GASB 68 became effective June 30, 2015, and includes requirements to record and report proportionate shares of the collective net pension liability, pension expense, deferred inflows of resources, and deferred outflows of resources associated with pensions.

In accordance with GASB 68, the VFCA has a special funding situation in which the State is legally responsible for making contributions directly to the VFCA on behalf of volunteer employers. Due to the existence of this special funding situation, the State is required to report a proportionate share of a volunteer fire company's collective net pension liability that is associated with the non-State volunteer employer.

(dollars presented in thousands)

	Net Pension Liability as of 6/30/18	Net Pension Liability as of 6/30/19	Percent of Collective NPL
State as a nonemployer proportionate share	$ 7,667	$ 6,907	100 %

At June 30, 2020, the State reported a liability of $6.9 million for its proportionate share of the net pension liability. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, with update procedures used to roll forward the total pension liability to June 30, 2019. The nonemployer's proportion of the net pension liability was based on the nonemployer's contributions received by the VFCA during the measurement period, July 1, 2018, through June 30, 2019, relative to total contributions received.

Changes in actuarial assumptions and methods: There were no changes in assumptions or other inputs that affected the measurement of the total pension liability.

Changes in benefit terms: There have been no changes in benefit terms since the previous measurement date.

Changes in proportionate share: There were no changes between the measurement date of the collective net pension liability and the nonemployer's reporting date that are expected to have a significant effect on the nonemployer's proportionate share of the collective net pension liability.

Grant Expense Related to Special Funding

The State as a nonemployer contributing entity recognized grant expense of $1.5 million for special funding support provided by a portion of fire tax premiums paid to the State and transferred to MPERA for its proportionate share of the VFCA pension expense that is associated with other employer participants in the plan.

Deferred Outflows and Inflows

At June 30, 2020, the State as a nonemployer contributing entity recognized a beginning deferred outflow of resources for fiscal year 2019 contributions of $2.4 million.

As of the fiscal year ended June 30, 2020, the State as a nonemployer contributing entity reported its proportionate share of deferred outflows of resources and deferred inflows of resources related to VFCA from the following sources:

(in thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ —	$ 426
Net difference between projected and actual earnings on pension plan investments	363	—
Contributions paid to VFCA subsequent to the measurement date – FY 2020 contributions	2,475	—
Totals	$ 2,838	$ 426

Amounts reported as deferred outflows of resources related to pensions resulting from the State's contributions made subsequent to the June 30, 2019 measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021.

Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in grant expense as follows:

(in thousands)

Year ended June 30:	Amount recognized in Grant Expense as an increase or (decrease) to Grant Expense
2021	$ (123)
2022	(210)
2023	99
2024	171

Teachers' Retirement System – The TRS is administered by the Teachers' Retirement Board (TRB), which is the governing body of a mandatory multiple-employer cost-sharing defined benefit pension plan that provides retirement services to persons in Montana employed as teachers or professional staff of any public elementary or secondary school, community college, or unit of the university system. The TRS, as an employer, does not participate in the plan and acts only as the administrator of the plan.

The TRB is the governing body of the TRS, and the TRS's staff administer the TRS in conformity with the laws set forth in Title 19, chapter 20, MCA, and administrative rules set forth in Title 2, chapter 44 of the Administrative Rules of Montana.

Summary of Benefits

Through June 30, 2013, all members enrolled in TRS participated in a single-tiered plan ("Tier One"). Employees with a minimum of 25 years of service or who have reached age 60 with 5 years of service are eligible to receive an annual retirement benefit equal to creditable service years divided by 60 times the average final compensation. Final compensation is the average of the highest three consecutive years of earned compensation. Benefits fully vest after 5 years of creditable service. Vested employees may retire at or after age 50 and receive reduced retirement benefits. Benefits are established by state law and can only be amended by the Legislature.

Beginning July 1, 2013, new members in TRS participate in a second benefit tier ("Tier Two"), which differs from Tier One as follows:

- Tier Two uses a 5-year average final compensation (as opposed to 3-year AFC in Tier One)
- Tier Two provides for unreduced service retirement benefits at age 60 with 5 years of creditable service or at age 55 with at least 30 years of creditable service (rather than at age 60 with 5 years of service or at any age with creditable service in 25 years in Tier One)
- Tier Two provides for early retirement benefits with 5 years of creditable service at age 55 (rather than age 50 in Tier One)
- Tier Two has one percent higher normal employee contribution rate (though a temporary 1% supplemental employee contribution rate is also currently in place for Tier One members), and
- Tier Two provides for an enhanced benefit calculation—1.85% of the AFC multiplied by the years of creditable service—for members retiring with at least 30 years of creditable service and at least 60 years of age (rather than 1.6667 x AFC x years of creditable service)

A guaranteed annual benefit adjustment (GABA) is payable on January 1 of each calendar year for each retiree who has received at least 36 monthly retirement benefit payments prior to that date. The GABA is applicable to both Tier One and Tier Two members. The GABA for Tier 1 members is 1.5% of the benefit payable as of January 1. For Tier Two members, the GABA each year may vary from 0.5% to 1.5% based on the retirement system's funding status and the period required to amortize any unfunded accrued actuarial liability as determined in the prior actuarial valuation.

Contributions to the System

All active employees in the TRS, regardless of employer type, are required to provide a contribution equal to 8.15% of their compensation.

All State and University employers are required to contribute 11.45% of compensation provided to an active, non-reemployed member. All school districts and other employers are required to contribute 9.07% of an active, non-reemployed, member's compensation to the System.

Section 19-20-605, MCA, requires each employer to contribute 9.85% of total compensation paid to all reemployed TRS retirees employed in a TRS reportable position. Pursuant to Section 19-20-609, MCA, this amount shall increase by 1.00% for fiscal year 2014 and increase by 0.10% each fiscal year through 2024 until the total employer contribution is equal to 11.85% of reemployed retiree compensation.

The TRS receives a portion of the total required statutory contributions directly from the State for all employers. The employers are considered to be in a special funding situation, and the State is treated as a nonemployer contributing entity in the TRS. The System receives 0.11% of earned compensation from the General Fund for all TRS members. The TRS also receives 2.38% of earned compensation from the General Fund for TRS members employed at school districts, community colleges, educational cooperatives, and counties in Montana. Finally, the State is also required to contribute $25 million in perpetuity payable July 1 of each year. The Legislature has the authority to establish and amend contribution rates to the plan.

Actuarial Assumptions

The total pension liability as of June 30, 2019, is based on the results of an actuarial valuation date of July 1, 2019. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial

assumptions used in the July 1, 2019, valuation were based on the results of the last actuarial experience study, dated May 2018. Among those assumptions were the following:

• Total Wage Increases (includes 3.25% general wage increase assumption)	3.25% to 7.76% for non-university members 4.25% for university members
• Merit Increases	0 to 4.51% for non-university members 1.00% for university members
• Investment Return	7.50%
• Price Inflation	2.50%
• Admin Expense as a % of Payroll	0.36%

- Postretirement Benefit Increases (starting three years after retirement)
  - Tier One members: If the retiree has received benefits for at least three years, the retirement allowance will be increased by 1.5% on January 1.
  - Tier Two members: The retirement allowance will be increased by an amount equal to or greater than 0.5% but no more than 1.5% if the most recent actuarial valuation shows the TRS to be at least 90.0% funded and the provisions of the increase is not projected to cause the funded ratio to be less than 85.0%. Since an increase in the amount of the GABA is not automatic and must be approved by the TRS, the assumed increase was lowered from 1.5% to the current rate of 0.5% per annum.
- Mortality among contributing members, service retired members, and beneficiaries:
  - For Males and Females: RP-2000 Healthy Combined Mortality Table projected to 2022 adjusted for partial credibility setback for two years. The tables include margins for mortality improvements, which are expected to occur in the future.
- Mortality among disabled members
  - For Males: RP-2000 Disabled Mortality Table for Males, set back three years, with mortality improvements projected by Scale BB to 2022.
  - For Females: RP-2000 Disabled Mortality Table for Females, set forward two years, with mortality improvements projected by Scale BB to 2022.

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from participating TRS members, employers, and nonemployer contributing entities will be made based on the TRB's funding policy, which establishes the contractually required rates under MCA. In addition to these contributions, the State General Fund will contribute $25.0 million annually to the TRS payable July 1 of each year. Based on those assumptions, the TRS's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2124. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. No municipal bond rate was incorporated in the discount rate.

Target Allocations

The assumed long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the TRS. The most recent analysis, performed for the period covering fiscal years 2013 through 2017, is outlined in a report dated May 3, 2018. Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation). Estimates of variability and correlations for each asset class were developed by the TRS's investment consultant. These ranges were combined to develop the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The long-term rate of return assumption is intended to be a long-term assumption (30 to 50 years). It is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The average long term capital market assumptions published in the Survey of Capital Market Assumptions 2019 Edition by Horizon Actuarial Service, LLC, yield a median real return of 4.91%. Based on this information, the TRS's adopted assumption of 5.00% for the real return is reasonable. Combined with the 2.50% inflation assumption, the resulting nominal return is 7.50%. Best estimates of arithmetic real rates of return for each major asset class included in the TRS's target asset allocation as of June 30, 2019, is summarized in the table below:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Broad US Equity	35.00%	6.05%
Broad International Equity	18.00%	7.01%
Private Equity	10.00%	10.53%
Natural Resources	3.00%	4.00%
Core Real Estate	7.00%	5.65%
TIPS	3.00%	1.40%
Intermediate Duration Bonds	19.00%	2.17%
High Yield Bonds	3.00%	4.09%
Cash	2.00%	0.78%
Total	100.00%	

Sensitivity Analysis

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the table below presents the net pension liability calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.50%) or 1.00% higher (8.50%) than the current rate.

(in thousands)

	1.0% Decrease (6.50%)	Current Discount Rate	1.0% Increase (8.50%)
State as an employer in TRS – net pension liability	$ 63,590	$ 46,493	$ 32,168
State as a nonemployer contributing entity to TRS – net pension liability	978,810	715,637	495,140

Net Pension Liability

In accordance with GASB 68, employers and nonemployer contributing entities are required to recognize and report certain amounts associated with their participation in the TRS. GASB 68 became effective June 30, 2015, and includes requirements for participants to record and report their proportionate share of the collective net pension liability, pension expense, deferred inflows of resources, and deferred outflows of resources associated with pensions. In accordance with GASB 68, the TRS has a special funding situation in which the State is legally responsible for making contributions directly to TRS that are used to provide pension benefits to the retired members of the TRS. Due to the existence of this special funding situation, the State is required to report a proportionate share of a local government or school district's collective net pension liability that is associated with the non-State employer.

(dollars presented in thousands)

	Net Pension Liability as of 6/30/18	Net Pension Liability as of 6/30/19	Percent of Collective NPL
State's as an employer entity	$ 47,407	$ 46,493	2.411113 %
State's as a nonemployer entity	700,417	715,637	37.112880 %
State of Montana totals	$ 747,824	$ 762,130	39.523993 %

At June 30, 2020, the State reported a liability of $762.1 million for its proportionate share of the net pension liability as an employer and nonemployer contributing entity. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The employer's proportion of the net pension liability was based on the State's

contributions received by the TRS during the measurement period, July 1, 2018, through June 30, 2019, relative to all contributions received from the TRS's participating employers and the nonemployer contributing entity.

Changes in actuarial assumptions and methods: The GABA for Tier Two members is a variable rate between 0.5% and 1.5% as determined by the TRS. Since an increase in the amount of the GABA is not automatic and must be approved by the TRS, the assumed increase was lowered from 1.5% to the current rate of 0.5% per annum.

Changes in benefit terms: There have been no changes in benefit terms since the previous measurement date.

Changes in proportionate share: There were no changes between the measurement date of the collective net pension liability and the employer's reporting date.

Employer Pension Expense and Nonemployer Contributing Entity Special Funding Grant Expense

At June 30, 2020, the State as an employer recognized a pension expense of $15.2 million for its proportionate share of the collective TRS pension expense. The State as a nonemployer contributing entity also recognized grant expense of $69.3 million for special funding support provided by the State's General Fund for its proportionate share of the collective TRS pension expense that is associated with other employer participants in the TRS. Total pension-related expenses for fiscal year 2020 was $83.4 million.

Deferred Outflows and Inflows

At June 30, 2020, the State as an employer recognized a beginning deferred outflow of resources for fiscal year 2019 contributions of $16.5 million.

As of the fiscal year ended June 30, 2020, the State as an employer reported its proportionate share of deferred outflows of resources and deferred inflows of resources related to the TRS from the following sources:

(in thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 308	$ —
Net difference between projected and actual earnings on pension plan investments	451	—
Change of assumptions	2,321	104
Changes in proportion and differences between employer contributions and proportionate share of contributions	13,034	815
Contributions paid to TRS subsequent to the measurement date – FY 2020 contributions	16,686	—
Totals	$ 32,800	$ 919

Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions made subsequent to the June 30, 2019, measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021.

Other amounts reported as deferred outflows of resources and inflows of resources related to pensions will be recognized in pension expense as follows:

	(in thousands)	
Year ended June 30:	**Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense**	
2021	$	8,418
2022		4,854
2023		1,550
2024		373

At June 30, 2020, the State as a nonemployer contributing entity recognized a beginning deferred outflow of resources for fiscal year 2019 contributions of $44.3 million.

As of the fiscal year ended June 30, 2020, the State as a nonemployer contributing entity reported its proportionate share of deferred outflows of resources and deferred inflows of resources from the following sources:

	(in thousands)			
	Deferred Outflows of Resources		**Deferred Inflows of Resources**	
Difference between expected and actual experience	$	4,737	$	—
Net difference between projected and actual earnings on pension plan investments		6,937		—
Changes of assumptions		35,734		1,604
Changes in proportion and differences between employer contributions and proportionate share of contributions		5,011		28,569
Contributions paid to TRS subsequent to the measurement date – FY 2020 Contributions		44,841		—
Totals	$	97,260	$	30,173

Amounts reported as deferred outflows of resources related to pensions resulting from the nonemployer's contributions subsequent to the June 30, 2019, measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in grant expense as follows:

	(in thousands)	
Year ended June 30:	**Amount recognized in Grant Expense as an increase or (decrease) to Grant Expense**	
2021	$	16,683
2022		(173)
2023		(8)
2024		5,744

D. Legal Actuarial Status of Plans

The Montana Constitution, Article VIII, Section 15, and Section 19-2-409, MCA state that public retirement systems shall be funded on an actuarially sound basis. To maintain a fund on an actuarially sound basis, the rate of contributions should fund the normal cost, in addition to amortizing the unfunded liability over a period not to exceed 30 years.

A traditional funding actuarial valuation of each of the defined benefit plans is performed annually. The purpose of the traditional funding actuarial valuation is to measure funding progress and to determine the actuarial determined contribution, contribution sufficiency or deficiency, and other actuarial information necessary for monitoring funding position. The most recent actuarial valuation was performed for fiscal year ended June 30, 2020. The statutory funding rate is tested in the valuation of each public retirement plan to determine if it is sufficient to cover

the normal cost rate plus an amortization payment of the unfunded actuarial liability, if any, within 30 years. As of June 30, 2020, the Game Warden & Peace Officers' Retirement System (GWPORS), the Highway Patrol Officers' Retirement System (HPORS), and the Public Employees' Retirement System-Defined Benefit Retirement Plan (PERS-DBRP) were not in compliance and do not amortize within 30 years.

E. Public Employee Defined Contribution Retirement Plans

Public Employees' Retirement System-Defined Contribution Retirement Plan – The Public Employees' Retirement System - Defined Contribution Retirement Plan (PERS-DCRP) is a multiple Employer plan established July 1, 2002, and governed by Title 19, Chapters 2 & 3, MCA. This plan is available to eligible employees of the State, Montana University System, local governments, and school districts. All new PERS members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to transfer to the PERS-DCRP, or remain in the PERS-DBRP, by filing an irrevocable election. If an election is not filed, the member remains in the PERS-DBRP. Members may not be members of both the defined contribution and defined benefit retirement plans. The PERS-DBRC provides retirement, disability, and death benefits to plan members and their beneficiaries.

Member and Employer contribution rates are established by state law and may be amended only by the Legislature. Employees contribute at a rate of 7.90% of their compensation. Contributions made to the plan by an employee remain 100% vested in their interest. Members who achieve 5 years of employment are vested in the plan. Should they terminate prior to this 5-year period, all employer contributions are forfeited to the plan. Amounts forfeited are held in a separate plan forfeiture account and can only be used to pay the administrative expenses, including startup costs, of the plan. Total pension expense for the State as a PERS-DCRP employer for the year ended June 30, 2020, is $8.3 million and, contribution forfeitures were $448.6 thousand.

Local government entities contribute 8.67% of member compensation. School district employers contributed 8.40% of member compensation. The State contributes 0.10% of member compensation on behalf of local government entities and 0.37% of member compensation on behalf of school district entities. Each State agency and University employer contributed 8.77% of member compensation.

The total contribution rate of 8.77%, referenced in the preceding paragraph, is allocated as follows: 8.43% to the member's retirement account; 0.04% to the defined contribution education fund; and 0.30% to the defined contribution Other Post Employment Benefit (OPEB) disability plan.

The PERS-DCRP also administers an OPEB disability plan. Refer to PERB's annual financial report for additional information related to this portion of the plan.

457-Deferred Compensation Plan – The 457-Deferred Compensation Plan (457-Plan) is a voluntary supplemental retirement savings plan established in 1974. The Deferred Compensation Plan is governed by Title 19, Chapter 50, MCA, in accordance with Internal Revenue Code (IRC) Section 457. This plan is available to all employees of the State, Montana University System, and contracting political subdivisions. The State and 60 non-state entity employers participate in the 457-Plan.

Assets of the Deferred Compensation Plan are required to be held in trusts, custodial accounts, or insurance company contracts for the exclusive benefit of participants and their beneficiaries. Empower Retirement™ is the record keeper for the plan. Participants elect to defer a portion of their salary, within IRC limits. The deferred salary is not available to employees until separation from service, retirement, death, or upon an unforeseeable emergency while still employed, provided IRS-specified criteria are met.

F. Montana University System Retirement Program

Montana University System-Retirement Program (MUS-RP) – This system was established in January 1988 and is underwritten by the Teachers Insurance and Annuity Association (TIAA). Effective July 1, 1993, MUS-RP was made the mandatory retirement plan for new faculty and administrative staff with contracts under the authority of the Board of Regents, previously referred to as the Optional Retirement Program (ORP). The MUS-RP is a defined contribution retirement plan governed by Title 19, Chapter 21, MCA. Combined contributions to the faculty and

professional staff plan cannot exceed 13% of the participant's compensation per Section 19-21-203, MCA. Combined contributions to the classified staff plan are 16.67% per Section 19-3-316, MCA and Section 19-3-315, MCA.

The benefits at retirement depend upon the amount of contributions, amount of investment gains and losses, and investment allocations by the participant. Individuals are immediately vested for both employee and employer contributions. The Montana University System records employee/employer contributions, and remits monies to TIAA. Total contributions made to the plan by the employer were $17.2 million, and the total employee contributions were $19.9 million for the fiscal year ended June 30, 2020.

G. Method Used to Value Investments

The Montana Board of Investments (BOI) manages the investments, as authorized by state law, for the defined benefit retirement plans in two investment pools, the Consolidated Asset Pension Pool (CAPP) and the Short-Term Investment Pool (STIP). CAPP is an internal investment pool and STIP is an external investment pool. Each retirement plan's ownership in the pools is based on the funds contributed. Individual investments in the pools are not specifically identified to the respective retirement plan. Investments are reported at either fair value or cost, depending on the underlying investment type. Fixed income and equity investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Fixed income investments classified in Level 2 of the fair value hierarchy are valued using a Matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Mortgages are present value adjusted. Investment valuation not classified within the fair value measurement levels are reported at Net Asset Value. Further detail related to investments is provided in Note 3.

H. Long-term Contracts for Contributions

Per Section 19-2-706, MCA, the Montana Legislature enacted a provision of the Employee Protection Act (EPA) allowing state and university system employees who are eligible for a service retirement and whose positions have been eliminated, to have their employer pay a portion of the total cost of purchasing up to three years of "1-for-5" additional service. In fiscal year 2020, 261 employees participated in the program.

The Employer has up to ten years to complete payment for the service purchases and is charged the actuarially required rate of return as established by MPERA on the unpaid balance. Total contributions received (including interest) during fiscal year 2020 totaled $17.9 thousand. The outstanding balance at June 30, 2020, totaled $9.2 thousand.

I. Litigation

Tadman, et al. v. State. A retired member of the Sheriffs' Retirement System filed a class action in the Eighth Judicial District of Montana against the State of Montana on October 6, 2015, alleging the inappropriate advising, reporting, and withholding of state and federal income taxes on certain line-of-duty disability benefits before conversion to a normal retirement benefit. The State was served with the Complaint on November 25, 2015, and is represented by Jean Faure and Jason Holden of the Faure Holden law firm in Great Falls, Montana. On June 11, 2019, the Court issued an Order granting Plaintiff's Motion to Certify Class. The Court has defined the prospective class of plaintiffs in this matter and the parties were instructed by the Court to meet and confer to agree on the class form of notice and notice plan concerning the matter. Counsel representing the class are Lawrence A. Anderson from Great Falls, Montana and Tom and Sean Morrison from Helena, Montana.

Murnion v. MPERA and PERB. A retired member of the Public Employees' Retirement System appealed a Final Order of the PERB upholding the Hearing Examiner's Proposed Findings of Fact and Conclusions of Law determining that the retired member was not entitled to full-time PERS service credit for his part-time years of employment. On March 15, 2019, the retired member filed a Petition for Appeal of Agency Action and Complaint in the First Judicial District of Montana to appeal the PERB's Final Order under the provisions of the Montana Administrative Procedure Act (MAPA). On June 26, 2019, MPERA filed a motion to vacate any forthcoming Scheduling Order, set a briefing schedule to control the judicial review of this matter, and dismiss the retired member's Count II and III for failure to state a claim within the Court's jurisdiction, or, in the alternative, confine

any review of each claim to the administrative record. On July 12, 2019, a Scheduling Order was issued by the Court calling for additional periods for discovery and setting a date for a two-day non-jury bench trial beginning on July 8, 2020. On July 15, 2019, Petitioner filed a response to MPERA's motion, and MPERA filed a reply on July 19, 2019. MPERA filed a notice of submittal on July 22, 2019. On August 21, 2020, an amended Scheduling Order was issued by the Court extending deadlines for periods of discovery as well as all pre-trial dates. This matter was settled between the parties on October 8, 2020.

PERB v. Lewis and Clark County. On May 1, 2020, the PERB filed a Complaint for Declaratory Relief in the First Judicial District of Montana against Lewis and Clark County. This complaint asked the Court to rule that the Montana Constitution, Article VIII, Section 15, vests the PERB with the authority to actuarially determine the amount of the unfunded pension liabilities attributable to a component unit of Lewis and Clark County that has terminated its participation in a PERB administered defined benefit plan, and compel the payment of and collect this unfunded pension liability upon this component unit's termination. On May 13, 2020, Lewis and Clark County filed a motion to dismiss the Complaint. This motion has been fully briefed by both parties and the PERB awaits a ruling from the Court. On June1, 2020, the PERB filed its First Amended Complaint amending its original pleading to add a claim for breach of contract against Lewis and Clark County. On June 18, 2020, Lewis and Clark County filed a motion to dismiss PERB's First Amended Complaint. This motion has been fully briefed and the PERB awaits a ruling from the Court.

Montana Association of Counties (MACo), Lewis and Clark County, and Cascade County v. PERB and MPERA. On May 1, 2020, the MACo filed a Complaint for Declaratory Judgement, Injunctive Relief, and a Writ of Prohibition against the PERB and MPERA in the First Judicial District Court of Lewis and Clark County. This Complaint asked the Court to rule that the Montana Constitution, Article VIII, Section 15, does not vest the PERB with the authority to determine and collect unfunded pension liabilities owed to the PERS-DBRP trust as a result of partial withdrawals of employees or reductions in force, and that the 1947 Contract between the PERB and Lewis and Clark County and Cascade County, as well as other similar agreements between the PERB and all other Montana counties, does not vest the PERB with the authority to determine and collect unfunded pension liabilities owed to the PERS-DBRP trust as a result of partial withdrawals of employees or reductions in force, and that MACo is entitled to a preliminary and permanent injunction enjoining PERB from assessing withdrawal penalties against Montana counties, and that MACo is entitled to a Writ of Prohibition arresting the PERB from assessing withdrawal penalties against Montana counties. On May 15, 2020, MACo amended its original pleading by filing its First Amended Complaint. This amendment added the additional parties of Lewis and Clark County and Cascade County to this action as plaintiffs as well as the additional claims for breach of express and implied contract. On June 25, 2020, the PERB filed a Motion to Dismiss, or in the Alternative, Partial Summary Judgement with regard to the Plaintiffs' Count II, IV, V, and VI. This motion has been fully briefed by all parties and PERB awaits a ruling from the Court.

NOTE 7. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. General Information Non-trust Plans

The State of Montana (State) and the Montana University System (MUS) provide optional postemployment healthcare benefits in accordance with Section 2-18-704, MCA to the following employees and dependents who elect to continue coverage and pay administratively established contributions: (1) employees and dependents who retire under applicable retirement provisions and (2) surviving dependents of deceased employees. Medical, dental, and vision benefits are available through this plan. The State and MUS offer OPEB plans that are not administered through trusts; as such, there are no plan assets accumulated to offset the total OPEB liability.

In accordance with Section 2-18-704, MCA, the State provides post-retirement health insurance benefits to eligible employees who receive retirement benefits from the Public Employees' Retirement System (PERS) or various other State retirement systems, and elect to start medical coverage within 60 days of leaving employment. Retirement eligibility criteria differ by State retirement plan. Further detail on State Retirement Plans is provided in Note 6. MUS provides post-retirement health insurance benefits to eligible employees who receive retirement benefits from their plan, or an annuity under the MUS-RP, and have been employed by MUS for at least five years, are age 50, or have worked 25 years with MUS. They must elect to start medical coverage within 60 days of leaving employment. Spouses, unmarried dependent children, and surviving spouses are also eligible for both plans.

Montana State Fund, a discretely presented component of the State and participant in the State OPEB plan, by statute, prepares separately issued financial statements on a calendar year-end basis. Due to the difference in reporting period, there will be a variance between the note disclosures and the financial statements for OPEB related information.

B. Plan Descriptions

Both healthcare OPEB plans for the State and MUS are reported as single-employer plans. In addition to the primary government, the participating employers under the State OPEB plan are Facility Finance Authority, Montana Board of Housing, Public Employees' Retirement System, Montana State Fund, and Teachers' Retirement System. The participating employers under the MUS OPEB plan are Office of Commissioner of Higher Education (OCHE), Montana State University - Billings (MSU-Billings), Montana State University - Bozeman (MSU-Bozeman), Great Falls College MSU, Montana State University - Northern (MSU-Northern), Montana Technological University, Helena College UM, University of Montana - Missoula (UM-Missoula), and University of Montana - Western (UM-Western). Participating employers under MUS, but excluded from the total OPEB liability due to not qualifying as component units, are Dawson Community College (Dawson CC), Flathead Valley Community College (Flathead CC), and Miles Community College (Miles CC). Each participating employer is required to disclose additional information as required per GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (GASB 75).

The State and MUS pay for post-employment healthcare benefits on a pay-as-you-go basis. Section 2-18-812, MCA gives authority for establishing and amending the funding policy to the Department of Administration for the State group health insurance plan. Section 20-25-1310, MCA gives authority for establishing and amending the funding policy to the Board of Regents for the MUS group health insurance plan. The healthcare OPEB plans allow retirees to participate, as a group, at a rate that does not cover all of the related costs. This results in reporting the total OPEB liability in the related financial statements and note disclosures. Reported contributions are not a result of direct funding to the plans or for associated liabilities, but are a measure of the difference in retiree payments into the plans and actual medical costs associated with those individuals paid for by the plans.

As of December 31, 2019, the State OPEB plan's administratively established retiree medical premiums vary between $448.00 and $1,777.00 per month, depending on the medical plan selected, family coverage, and Medicare eligibility. Administratively established dental premiums vary between $41.10 and $70.00 per month and vision hardware premiums vary between $7.64 and $22.26 per month, depending on the coverage selected. The plan provides different coinsurance amounts and deductibles depending on whether members use in-network or out-of-network providers. Once retiree members become Medicare eligible, the plan automatically processes claim reimbursement as the secondary insurer, even if the member is not enrolled in Medicare.

As of June 30, 2020, the MUS OPEB plan's administratively established retiree medical premiums vary between $368.00 and $2,746.00 per month. Retiree dental premiums vary between $52.00 and $156.00 per month, while vision premiums vary from $10.70 to $31.18, depending on the types and number of dependents enrolled and which medical Third Party Administrator (TPA) was selected. The plan provides different coinsurance amounts and deductibles depending on whether members use in-network or out-of-network providers. The plan automatically reduces claim reimbursement for members eligible for Medicare, even if the member is not enrolled in Medicare. The premium changes were based on actual claims experience and actuarial projections based on the experience and trends.

C. Basis of Accounting

Total OPEB liability is reported on an accrual basis on the proprietary and fiduciary fund financial statements, the government-wide financial statements, and the component unit financial statements. Total OPEB liability is not reported on the governmental fund financial statements, as it is considered a long-term liability. Plan member contributions are recognized in the period in which the contributions are made. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Both OPEB plans state, that an employee enrolled in the OPEB plan, who (a) at least meets the early retirement criteria defined by Montana Public Employees' Retirement Administration (MPERA); and (b) makes arrangements with their respective benefit office, within 60 days of the date active employee coverage ends, to continue post-retirement coverage, may continue with the OPEB plan on a self-pay basis, retroactive back to the date active employee coverage was lost, and adhere to these provisions. Therefore, each plan does not include terminated employees who have accumulated benefits but are not yet receiving them. There have been no significant changes in the number covered or the type of coverage as of June 30, 2020.

The number of State Plan participants as of March 31, 2020, follows:

	State Plan Participants						
Enrollment	State (1)	Facility Finance Authority (2)	Montana Board of Housing (2)	Public Employee Retirement Board (2)	Montana State Fund (2)	Teachers Retirement System (2)	Total
Active employees	12,056	1	12	48	279	21	12,417
Retired employees, spouses, and surviving spouses	2,514	2	3	1	20	6	2,546
Total	14,570	3	15	49	299	27	14,963

The number of MUS Plan participants as of March 31, 2020, follows:

	MUS Plan Participants									
Enrollment	MSU-GFC (2)	UM-HC (2)	MSU-Billings (2)	MSU-Bozeman (2)	MSU-Northern (2)	OCHE (1)	UM-Missoula (2)	UM-MT Tech (2)	UM-Western (2)	Total
Active employees	110	82	451	3,136	171	63	1,874	388	191	6,466
Retired employees, spouses, and surviving spouses	7	14	117	493	34	17	500	102	56	1,340
Total	117	96	568	3,629	205	80	2,374	490	247	7,806

(1) Primary Government
(2) Discrete Component Units of Primary Government

D. Schedule of Changes in Total OPEB liability

The following table presents the other items related to and changes in the total OPEB liability:

Annual OPEB Cost & Changes in Total OPEB liability
(in thousands)

	State Plan			MUS Plan		
	Primary Government Total OPEB Liability	Discrete Component Unit Total OPEB Liability	Total State Plan	Primary Government Total OPEB Liability	Discrete Component Unit Total OPEB Liability	Total MUS Plan
Balances at 6/30/2019	$ 54,593	$ 1,104	$ 55,697	$ 425	$ 38,923	$ 39,348
Changes for the year:						
Service cost	1,899	47	1,946	11	1,725	1,736
Interest	1,554	32	1,586	12	1,118	1,130
Difference between expected and actual experience	(9,504)	95	(9,409)	(162)	(14,853)	(15,015)
Changes of assumptions or other inputs	(1,828)	(49)	(1,877)	(18)	(1,773)	(1,791)
Benefit payments	(585)	(16)	(601)	15	1,426	1,441
Net changes	(8,464)	109	(8,355)	(142)	(12,357)	(12,499)
Balances at 6/30/2020 [1]	$ 46,129	$ 1,213	$ 47,342	$ 283	$ 26,566	$ 26,849

[1] State and discretely presented component units proportion of the collective total OPEB liability as of the measurement date for fiscal years 2019 and 2020 for the State Plan was 100% both years and for the MUS Plan is 95.59% and 94.92%, respectively.

E. Actuarial Methods and Assumptions

The total OPEB liability (TOL) measured under GASB 75 is based upon service cost and more standardized reporting assumptions than prior GASB Statements. As a pay-as-you-go public entity, GASB 75 requires a 20-year current municipal bond discount rate to establish an Actuarially Determined Contribution (ADC). The GASB 75 valuation is further required to show both historical and projected future net changes in TOL, as well as sensitivity to changes in key underlying assumptions. Actuarially determined amounts are subject to continual revisions, meaning actual results are compared with past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost-sharing between the employer and plan members in the future.

The schedule of changes in the State’s and MUS's TOL and related ratios, presented as required supplementary information following the notes to the financial statements is designed to present multi-year trend information about whether the actuarial value of plan TOL is increasing or decreasing over time relative to the actuarial liabilities for benefits. The schedule of changes in the State’s and MUS's TOL and related ratios are based on the substantive plan (the plan as understood by the employer and the plan members). This includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

The State's OPEB Plan TOL on December 31, 2019, rolled forward to March 31, 2020, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Other Postemployment Benefits
State Single Employer Plan

	Retiree/Surviving Spouse	Spouse
Contributions (weighted average):		
Before Medicare eligibility	$ 14,772	$ 5,470
After Medicare eligibility	5,376	4,659
Actuarial valuation date	December 31, 2019	
Experience study period	January 1, 2017 through December 31, 2019	
Actuarial measurement date (1)	March 31, 2020	
Actuarial cost method	Entry age normal funding method	
Amortization method	Open basis	
Asset valuation method	Not applicable since no assets meet the definition of plan assets under GASB 75	
Actuarial assumptions:		
Discount rate	2.75%	
Projected payroll increases	2.50%	
Participation:		
Future retirees	40.00%	
Future eligible spouses	70.00%	
Marital status at retirement	70.00%	

(1) Updated procedures were used to roll forward the total OPEB liability to the measurement date.

Mortality - Health: For TRS, healthy mortality is assumed to follow the RP-2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP-2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years for males, set back two years for females, with mortality improvements projected by Scale BB to 2018. For all other groups, healthy mortality is assumed to follow the RP-2000 Combined Mortality Table with improvements projected by Scale BB to 2020, set back one year for males.

Mortality - Disabled: For TRS, disabled mortality is assumed to follow the RP-2000 Disabled Mortality Table, set forward one year for males and set forward five years for females, with mortality improvements projected by Scale BB to 2018. For all other groups, disabled mortality is assumed to follow the RP-2000 Combined Mortality Table with no projections.

Changes in actuarial assumptions and methods since last measurement date: Changes in actuarial assumptions include a participation rate reduction from 55% to 40% based on recent experience study, a revision to rates per the Retirement System pension valuations as of July 1, 2019, and the interest/discount rate was based on the average of multiple March 31, 2020 municipal bond rate sources.

Changes in benefit terms since last measurement date: None

Additional information as of the latest actuarial valuation for MUS OPEB plan follows:

Other Postemployment Benefits
MUS Single Employer Plan

	Retiree/Surviving Spouse	Spouse
Contributions (in thousands):		
Before Medicare eligibility	$ 11,212	$ 9,199
After Medicare eligibility	4,301	5,295
Actuarial valuation date	December 31, 2019	
Actuarial measurement date (1)	March 31, 2020	
Experience study period	January 1, 2017 through December 31, 2019	
Actuarial cost method	Entry age normal funding method	
Amortization method	Open basis	
Asset valuation method	Not applicable since no assets meet the definition of plan assets under GASB 75	
Actuarial assumptions:		
Discount rate	2.75%	
Projected payroll increases	2.50%	
Participation:		
Future retirees	40.00%	
Future eligible spouses	70.00%	
Marital status at retirement	70.00%	

(1) Updated procedures were used to roll forward the total OPEB liability to the measurement date.

Mortality - Healthy: For TRS and MUS-RP, healthy mortality is assumed to follow the RP-2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP-2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years for males, set back two years for females, with mortality improvements projected by Scale BB to 2018. For all other groups, healthy mortality is assumed to follow the RP-2000 Combined Mortality Table with improvements projected by Scale BB to 2020, set back one year for males.

Mortality - Disabled: For TRS For TRS and MUS-RP, disabled mortality is assumed to follow the RP-2000 Disabled Mortality Table, set forward one year for males and set forward five years for females, with mortality improvements projected by Scale BB to 2018. For all other groups, disabled mortality is assumed to follow the RP-2000 Combined Mortality Table with no projections.

Changes in actuarial assumptions and methods since last measurement date: Changes in actuarial assumptions include a participation rate reduction from 55% to 40% based on recent experience study, a revision to rates per the Retirement System pension valuations as of July 1, 2019, and the interest/discount rate was based on the average of multiple March 31, 2020 municipal bond rate sources.

Changes in benefit terms since last measurement date: Changes in benefit terms include increased annual deductible and out-of-pocket maximums.

Sensitivity of the TOL to changes in the discount rate

The following presents the TOL of the State and MUS OPEB plans, as well as what they would be if calculated using a discount rate that is 1-percentage-point lower (1.75 percent) or 1-percentage-point higher (3.75 percent) than the current discount rate:

	State OPEB plan (in thousands)		
	1.0% Decrease (1.75%)	Current Discount Rate (2.75%)	1.0% Increase (3.75%)
Primary Government	$ 59,852	$ 46,129	$ 36,138
Discrete Component Units	1,616	1,213	916
Total OPEB liability	$ 61,468	$ 47,342	$ 37,054

	MUS OPEB plan (in thousands)		
	1.0% Decrease (1.75%)	Current Discount Rate (2.75%)	1.0% Increase (3.75%)
Primary Government	$ 382	$ 283	$ 211
Discrete Component Units	35,949	26,566	19,794
Total OPEB liability	$ 36,331	$ 26,849	$ 20,005

Sensitivity of the TOL to changes in the healthcare cost trend rates

The following presents the TOL of the State and MUS OPEB plans, as well as what they would be if calculated using healthcare cost trend rates that are 1-percentage-point lower (5.0 percent) or 1-percentage-point higher (7.0 percent) than the current healthcare cost trend rates:

	State Plan (in thousands)		
	1.0% Decrease (5.0%)	Current Healthcare Cost Trend Rate (6.0%)	1.0% Increase (7.0%)
Primary Government	$ 36,175	$ 46,129	$ 60,223
Discrete Component Unit	915	1,213	1,630
Total OPEB liability	$ 37,090	$ 47,342	$ 61,853

	MUS Plan (in thousands)		
	1.0% Decrease (5.0%)	Current Healthcare Cost Trend Rate (6.0%)	1.0% Increase (7.0%)
Primary Government	$ 211	$ 283	$ 384
Discrete Component Unit	19,731	26,566	36,276
Total OPEB liability	$ 19,942	$ 26,849	$ 36,660

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
For the year ended June 30, 2020, the State OPEB plan's OPEB expense is $2.5 million and the MUS OPEB plan's OPEB expense is $1.5 million.

At June 30, 2020, the State OPEB plan deferred outflows and inflows of resources are from the following sources:

	State Plan (in thousands)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Primary Government		
Difference between expected and actual experience	$ —	$ 12,210
Changes of assumptions or other inputs	16,160	15,732
Total	$ 16,160	$ 27,942
Discrete Component Units		
Difference between expected and actual experience	$ 132	$ 137
Changes of assumptions or other inputs	431	420
Amounts associated with transactions subsequent to the measurement date of the total OPEB liability(1)	4	—
Total	$ 567	$ 557

In prior years, the amounts deferred for transactions subsequent to the measurement date of the total OPEB liability were employer contributions. In the year ending June 30, 2020, such contributions were significantly reduced or nonexistent because fewer medical claims were experienced during the period subsequent to the measurement date. This was due to postponement of procedures, by hospitals and clinics, in response to the COVID-19 pandemic.

At June 30, 2020, MUS OPEB plan deferred outflows and inflows of resources are from the following sources:

	MUS Plan (in thousands)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Primary Government		
Difference between expected and actual experience	$ —	$ 159
Changes of assumptions or other inputs	106	113
Total	$ 106	$ 272
Discrete Component Units		
Difference between expected and actual experience	$ —	$ 14,663
Changes of assumptions or other inputs	10,352	11,070
Total	$ 10,352	$ 25,733

In prior years, the amounts deferred for transactions subsequent to the measurement date of the total OPEB liability were employer contributions. In the year ending June 30, 2020, such contributions were significantly reduced or nonexistent because fewer medical claims were experienced during the period subsequent to the measurement date. This was due to postponement of procedures, by hospitals and clinics, in response to the COVID-19 pandemic.

Deferred outflows of resources and deferred inflows of resources related to TOL will be recognized as OPEB expense as follows:

	Amount recognized in OPEB expense as an increase or (decrease) to OPEB expense		
	State Plan (in thousands)		
Year ended June 30	Primary Government	Discrete Component Units	State Plan Total
2021	$ (1,057)	$ (1)	$ (1,058)
2022	(1,057)	(1)	(1,058)
2023	(1,057)	(1)	(1,058)
2024	(1,057)	(1)	(1,058)
2025	(1,057)	(1)	(1,058)
Thereafter	(6,497)	11	(6,486)

	Amount recognized in OPEB expense as an increase or (decrease) to OPEB expense		
	MUS Plan (in thousands)		
Year ended June 30	Primary Government	Discrete Component Units	MUS Plan Total
2021	$ (14)	$ (1,321)	$ (1,335)
2022	(14)	(1,321)	(1,335)
2023	(14)	(1,321)	(1,335)
2024	(14)	(1,321)	(1,335)
2025	(14)	(1,321)	(1,335)
Thereafter	(96)	(8,776)	(8,872)

F. General Information Trust Plan

General Information

Section 19-3-2141, MCA, establishes a long-term disability plan trust fund (PERS-DCRP Disability) for all State of Montana employees that participate in the Public Employee Retirement System-Defined Contribution Retirement Plan (PERS-DCRP). All new PERS members are initially members of the Public Employee Retirement System-Defined Benefit Retirement Plan (PERS-DBRP) and have a 12-month window during which they may choose to transfer to the PERS-DCRP or remain in the PERS-DBRP by filing an irrevocable election. If an election is not filed, the member remains in the PERS-DBRP. Members may not be members of both the defined contribution and defined benefit retirement plans. Only those participants that choose the PERS-DCRP are covered by the PERS-DCRP Disability plan.

Plan Description

The PERS-DCRP Disability is a multiple-employer cost-sharing plan that covers employees of the State, local governments, and certain employees of the university system and school districts, who are not covered by a separate retirement system governed by Title 19, MCA. The PERS-DCRP Disability plan provides disability benefits to PERS-DCRP plan members who are vested in the plan and are currently ineligible for retirement.

A separate trust has been established for purposes of providing disability benefits to PERS-DCRP Disability plan members, and it is accounted for as a fiduciary fund. The assets are held in a trust capacity for the beneficiaries. The Public Employee Retirement System issues publicly available annual reports, which include financial statements and required supplemental information for the plan. Those reports may be obtained online (http://mpera.mt.gov) or by contacting the following:

Public Employees' Retirement Board
100 North Park, Suite 200
P.O. Box 200131
Helena, MT 59620-0131

G. Termination Benefits

During the year ended June 30, 2020, the State made the following termination benefit arrangements: continued coverage of group health insurance benefits for one employee provided for up to six months, one-time lump-sum incentive payments for 15 employees, and paid administrative leave for 15 employees.

During the year ended June 30, 2020, component units of the State made the following termination benefit arrangements: continued coverage of health insurance benefits and/or one-time incentive payments for 12 employees.

During the year ended June 30, 2020, the cost of termination benefits for the fiscal year was $107.1 thousand and $366.4 thousand for the State and its component units, respectively.

NOTE 8. RISK MANAGEMENT

There are three primary government public entity risk pools and one claims-servicing pool that are reported within the enterprise funds. These pools include Hail Insurance, the Montana University System (MUS) Group Insurance Plan, the MUS Workers Compensation Program, and the Subsequent Injury claims-servicing pool. The State of Montana (Old Fund) provides risk financing as an entity other than a public entity risk pool. The liability and payment of the workers' compensation claims for incidents occurring before July 1, 1990, are reported in the government-wide financial statements within the primary government. Unpaid claims and claim adjustment expenses are estimated based on the ultimate cost of settling the claims, including the effects of inflation and other societal/economic factors. Additionally, the primary government reports its own risk management activity within two internal service funds: Employees Group Benefits Plans and Administration Insurance Plans. In all of these funds, there are no significant reductions in insurance coverage from the prior year. These funds use the accrual basis of accounting. By statute, these funds cannot invest in common stock. Investments are recorded at fair value. Premiums and discounts are amortized using the straight-line method over the life of the securities.

A. Public Entity Risk Pools

(1) Hail Insurance – Any Montana producer engaged in growing crops subject to destruction or damage by hail may participate in the Hail Insurance program. The Hail Insurance program issued 532 policies during the 2020 growing season. This fund accounts for premium assessments paid by producers for crop acreage insured, investment and interest earnings, administrative costs, and claims paid for hail damage. Depending upon the reserve fund's actuarial soundness and the damage in a season, producers may receive a premium refund. Anticipated investment income is considered in computing a premium deficiency, of which there is none.

A claim must be submitted to the State Board of Hail Insurance within 14 days of a loss occurrence. The claim must indicate whether the grain is stemming, in the boot, heading out, in the milk, in the stiff dough, ready to bind, or combine. If beans, peas, or other crops are damaged, the growth-stage must also be indicated. Inspection of a crop will occur as promptly as possible after claim receipt. The liability on all insured crops expires after October 1. The insurance only covers loss or damage to growing grain that exceeds 5.0% destruction by hail.

To reduce its exposure to large losses, the fund purchased Crop Hail Quota Share Reinsurance for the 2020 growing season, with a 75.0% share of premiums and losses allotted to the Reinsurer and a 25.0% share of each allotted to the State Hail Insurance. The fund recorded a liability of $11.1 thousand, which is 25.0% of the estimated claims ($42.6 thousand) plus adjustment expenses through June 30, 2020. The amount deducted from the estimated claims as of June 30, 2020, for reinsurance was $31.9 thousand (75.0% of estimated claims). The premiums ceded to the Reinsurer through June 30, 2020, were $844.6 thousand, which was 75.0% of total premiums of $1.1 million.

Any crop insurance liability is paid to the producers within one year of occurrence; therefore, liabilities are not discounted. The fund has no excess insurance or annuity contracts.

(2) Montana University System (MUS) Group Insurance Plan – This plan is authorized by the Board of Regents and in Section 20-25-13, MCA. The Plan's purpose is to provide medical, dental, prescription drug, and related group benefits coverage to employees of the Montana University System and affiliates, and their dependents, retirees, and COBRA members. The MUS Group Benefits Plan is fully self-insured, except for life insurance, long-term care, long-term disability, and accidental death and dismemberment insurance. Delta Dental administers the dental plan, Blue Cross and Blue Shield of Montana administers the vision plan, and Navitus is the administrator for the prescription drug program. Allegiance Benefit Plan Management, Blue Cross and Blue Shield of Montana, and Pacific Source are the three third-party claims administrators for the self-insured managed care plan. Allegiance Benefit Plan Management, Blue Cross and Blue Shield of Montana, and Pacific Source have contracts for utilization management. The utilization management program consists of hospital pre-authorization and medical necessity review as well as large case management. Premiums are collected from employees through payroll deductions and recorded in the MUS Group Insurance enterprise fund. The claims liability is calculated by Actuaries Northwest and estimated to be $10.3 million as of June 30, 2020, based on prior year experience. A liability is reported in the accompanying financial statements for these estimated claims.

(3) Montana University System (MUS) Workers' Compensation Program – This plan was formed to provide self-insured workers compensation coverage for MUS employees. The MUS Board of Regents provides workers'

compensation coverage under Compensation Plan Number One (Section 39-7-2101, MCA). The program is self-insured for workers' compensation claims with losses in excess of $750.0 thousand per occurrence ($500.0 thousand for claims occurring prior to July 1, 2013) and $1.0 million per aircraft occurrence covered by reinsurance with a commercial carrier. Employer's liability claims are covered to a maximum of $1.0 million above the self-insured amount of $750.0 thousand ($500.0 thousand for claims occurring prior to July 1, 2013). During fiscal year 2020, the program ceded $361.2 thousand in premiums to reinsurers.

The MUS Workers' Compensation Program Committee establishes premium rates for all participating campuses based on actuarial calculations of premium need and composite premium rate. Premium rates are adjusted periodically based on inflation, claims experience, and other factors. Premiums are recorded as revenue in the MUS Workers' Compensation Program in the period for which coverage is provided. Members may be subject to supplemental assessments in the event of deficiencies. The program considers anticipated investment income in determining if a premium deficiency exists.

The fund recorded a liability of $4.8 million for estimated claims at June 30, 2020. The liability is based on the estimated ultimate cost of settling the reported and unreported claims, claims reserve development, including the effects of inflation, and other societal and economic factors. Estimated amounts of subrogation and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Estimated claims liabilities are recomputed periodically based on a current review of claims information, experience with similar claims, and other factors. Adjustments to estimated claims liabilities are recorded as an increase or decrease in claims expense in the period the adjustments are made.

(4) Subsequent Injury – The purpose of the Subsequent Injury Fund (SIF) is to assist individuals with a permanent impairment that may create an obstacle to employment by limiting workers' compensation exposure for employers who hire SIF-certified individuals. The program is funded through an annual assessment for Montana self-insured employers and a surcharge on premium for private insured and Montana State Fund policyholders.

The Employment Relations Division sets the assessment and surcharge rates annually. The amount assessed is calculated by adding the amount of paid losses reimbursed by SIF from April 1 of the previous calendar year through March 31 of the current calendar year, plus administration expenses, less other income earned. Employers share in the reimbursement in two ways: (1) If self-insured, the reimbursement is based on their share of overall paid losses in the previous calendar year. (2) If insured through a private carrier or Montana State Fund, the reimbursement is based on both overall paid losses in the previous calendar year, and the amount of the employer's premium paid for their business.

The SIF program reduces the liability of the employer (if self-insured) or insurer by placing a limit of 104 weeks on the amount an employer (if self-insured), or the employer's insurer, will have to pay for medical and wage loss benefits in the event a worker who is SIF-certified becomes injured or re-injured on the job. SIF will assume liability for the claim when the 104 weeks is reached. For an insured employer, since the insurer's liability is limited to 104 weeks on the claim, this can favorably impact the employer's modification factor, which in turn could keep premiums lower than would otherwise be the case without SIF. For a self-insured employer, it provides a direct recovery of expenses paid for a workers' compensation claim. If a certified worker does become injured on the job, the worker remains entitled to all benefits due under the Workers' Compensation Act.

An estimated liability is recorded based on a projected cost analysis and total population of registered SIF participants. As of June 30, 2020, this liability amount was estimated to be $2.4 million.

(5) Changes in Claims Liabilities for the Past Two Years – As indicated above, these funds establish liabilities for both reported and unreported insured events, including estimates of future payments of losses and related claim adjustment expenses. The following tables present changes (in thousands) in those aggregate liabilities during the past two years. All information in these tables is presented at face value and has not been discounted.

	Hail Insurance 2020	Hail Insurance 2019	MUS Group Insurance Plan 2020	MUS Group Insurance Plan 2019	MUS Workers Compensation 2020	MUS Workers Compensation 2019
Unpaid claims and claim adjustment expenses at beginning of year	$ 17	$ 35	$ 10,000	$ 10,200	$ 6,789	$ 5,831
Incurred claims and claim adjustment expenses: provision for insured events of the current year	793	422	92,564	88,473	1,992	2,523
Increase (decrease) in provision for insured events of prior years	(5)	96	—	—	(2,485)	93
Total incurred claims and claim adjustment expenses	788	518	92,564	88,473	(493)	2,616
Payments: Claims and claim adjustment expenses attributable to insured events of the current year	(782)	(405)	(92,264)	(88,673)	(539)	(644)
Claims and claim adjustment expenses attributable to insured events of prior years	(12)	(131)	—	—	(920)	(1,014)
Total payments	(794)	(536)	(92,264)	(88,673)	(1,459)	(1,658)
Total unpaid claims and claim adjustment expenses at end of year	$ 11	$ 17	$ 10,300	$ 10,000	$ 4,837	$ 6,789

B. Entities Other Than Pools

(1) Administration Insurance Plans – This self-insurance plan provides coverage for general liability, automobile liability, automobile physical damage, foster care liability, and State-administered foreclosure of housing units. The State self-insures the $2.0 million deductible per occurrence for most property insurance, as well as various deductible amounts for other State property. The State also self-insures against property losses below $2.0 million of value, with State agencies paying the first $1.0 thousand. Commercial property insurance protects approximately $5.8 billion of State-owned buildings and contents. The State's property insurance includes separate earthquake and flood protection coverage, with deductibles of $2.0 million for earthquake and $2.0 million for flood per occurrence. Premiums are collected from all state agencies, including component units, and recorded as revenue in the Administration Insurance Fund.

An annual actuarial study prepared by Willis Towers Watson Company, and issued for the accident period July 1, 2010, through June 30, 2020, is the basis for estimating the liability for unpaid claims and is supported by historical loss data. As of June 30, 2020, the estimated claims liability was $53.8 million. Of the $53.8 million estimated claims liability, $36.4 million is related to a catastrophic property loss for which the insurance proceeds were received prior to the incurred expenses.

(2) Employee Group Benefits Plans – The medical and dental health plans provided by the State are fully self-insured with the State assuming the risk for claims incurred by employees of the State, elected officials, retirees, former employees covered by COBRA benefits, and their dependents. The State contracted with Allegiance as the third-party administrator for medical coverage. Delta Dental is the administrator for dental coverage. Navitus is the administrator for the pharmacy program. Contributions are collected through payroll deductions, deductions through the Public Employees Retirement Administration, the Legislative Branch, and self-payments. The contributions are recorded as revenue in the Employee Group Benefits internal service fund. As of June 30, 2020, estimates for claims liabilities, which include both incurred but not reported claims and grandfathered claims resulting from a 1998 change in period for which the benefit coverage is available, as well as other actuarially determined liabilities, were

$19.0 million as provided by Actuaries Northwest, a consulting actuarial firm. In fiscal year 2021, $18.8 million of these claims liabilities are estimated to be paid.

(3) State of Montana (Old Fund) – State of Montana (Old Fund) covers workers' compensation claims that were incurred before July 1, 1990. Old Fund was originally a risk financing insurance entity, but upon depletion of all of its assets, is now financed by the General Fund. The participants within the pool are individuals outside of governmental entities.

An actuarial study prepared by Willis Towers Watson, as of June 30, 2020, estimated the cost of settling claims that have been reported but not settled and claims that have been incurred but not reported. At June 30, 2020, $48.3 million of unpaid claims and claim adjustment expenses were reported at face value.

(4) Changes in Claims Liabilities for the Past Two Years – These funds establish liabilities for both reported and incurred but not reported claims. Grandfathered claims are not included as they relate to future claims not yet incurred. The following table presents changes in the balances of claims liabilities during the past two fiscal years (in thousands).

	Administration Insurance Plans		Employers Group Benefits Plan		State of Montana Old Fund	
	2020	2019	2020	2019	2020	2019
Amount of claims liabilities at the beginning of each fiscal year	$ 16,157	$ 15,180	$ 18,896	$ 17,723	$ 44,266	$ 31,109
Incurred claims:						
Provision for insured events of the current year	7,091	4,803	170,812	175,435	—	—
Increase (decrease) in provision for insured events of prior years	1,120	12,348	(4,377)	(1,672)	12,616	22,193
Total incurred claims	8,211	17,151	166,435	173,763	12,616	22,193
Payments:						
Claims attributable to insured events of the current year	(3,063)	(2,167)	(151,950)	(156,695)	—	—
Claims attributable to insured events of prior years	(3,874)	(14,007)	(14,399)	(15,895)	(8,602)	(9,036)
Total payments	(6,937)	(16,174)	(166,349)	(172,590)	(8,602)	(9,036)
Total claims liability at end of each fiscal year	$ 17,431	$ 16,157	$ 18,982	$ 18,896	$ 48,280	$ 44,266

(1) $36.4 million of additional claims for the Administration Insurance Plans not included in the table above, are related to a catastrophic property loss for which the insurance proceeds were received prior to the incurred expenses.

NOTE 9. COMMITMENTS

A. Highway Construction

At June 30, 2020, the Department of Transportation had contractual commitments of approximately $281.5 million for construction of various highway projects. Funding for these highway projects is to be provided from federal grants and matched with state special revenue funds.

B. Capital Construction

At June 30, 2020, the Department of Administration, Architecture & Engineering Division, had commitments of approximately $60.9 million for capital projects construction. The primary government will fund $40.4 million of these projects, with the remaining $20.5 million funded from the Montana University System.

At June 30, 2020, Fish, Wildlife, and Parks had contractual commitments of approximately $1.9 million for engineering and construction of various capital projects. The majority of the funding for these projects is to be provided by federal grants and state special revenue funds.

C. Loan and Mortgage Commitments

The Montana Board of Investments (BOI) makes firm commitments to fund commercial loans, residential mortgages, and Veterans' Home Loan Mortgages (VHLM) from the Coal Severance Tax Permanent Trust Fund. These commitments have expiration dates and may be extended according to BOI policies. As of June 30, 2020, BOI had committed, but not yet purchased, $21.7 million in loans from Montana lenders. In addition to the above commitments, lenders had reserved $8.1 million for loans as of June 30, 2020. As of June 30, 2020, another $825.9 thousand represented lender reservations for the VHLM residential mortgage purchases with no purchase commitments.

The BOI makes reservations to fund mortgages from the State’s pension funds. As of June 30, 2020, there were no mortgage reservations. All BOI residential mortgage purchases are processed by the Montana Board of Housing (MBOH). The MBOH does not differentiate between a mortgage reservation and a funding commitment.

The BOI makes firm commitments to fund loans from the INTERCAP loan program. The BOI’s outstanding commitments to eligible Montana governments, as of June 30, 2020, totaled $29.6 million.

D. Department of Corrections Bond Commitments

At June 30, 2020, the outstanding tax-exempt bonds distributed by the Facility Finance Authority were issued in the amount of $10.3 million, of which $1.8 million in principal payments are scheduled to be paid by June 30, 2021. These bonds have been issued to facilities operating treatment and pre-release centers. The Department of Corrections agrees to provide payment on behalf of the contractors for the total principal and interest regarding these outstanding bonds. These costs are then recovered through the center's monthly billing for inmate room and board.

E. Department of Labor and Industry Commitments

At June 30, 2020, the Department of Labor and Industry, had $1.9 million contractual commitments for Montana State AmeriCorps Programs and a $1.8 million commitment for information technology contracts. The funding for these programs is federal grants, state special revenue funds, and proprietary funds.

F. Proprietary Fund Commitments

Budgets are administratively established in the enterprise and internal service funds, excluding depreciation, compensated absences, and bad debt expense. Appropriations may be committed for goods/services that are not received as of fiscal year-end. These executory commitments are included in unrestricted net position in the accompanying financial statements as follows (in thousands):

Enterprise Funds		Amount
BOI Municipal Finance Programs	$	12
Liquor Warehouse		186
State Lottery Fund		19
Prison Industries		3
Other Enterprise Funds		1
Subtotal - Enterprise funds	$	221
Internal Service Funds		
SABHRS Finance and Budget Bureau	$	218
Investment Division		49
Labor Central Services		1,193
Subtotal - Internal Service funds	$	1,460

G. Encumbrances

As of June 30, 2020, the State of Montana encumbered expenditures as presented in the table below (in thousands):

	Federal Special Revenue Fund	General Fund	Nonmajor Governmental Funds	State Special Revenue Fund	Total
Encumbrances	$ 39,219	$ 16,769	$ 939	$ 50,452	$ 107,379

NOTE 10. LEASES/INSTALLMENT PURCHASES PAYABLE

The State has entered into various capital and operating leases for land, buildings, equipment, and computer software. Lease contracts are required by law to contain a clause indicating if the continuation of the lease is subject to funding by the Legislature. It is expected, in the normal course of operations, that most of these leases will be replaced by similar leases.

A. Capital Leases/Installment Purchases

Obligations under capital leases/installment purchases at June 30, 2020, were as follows (in thousands):

Fiscal Year Ending June 30:	Governmental Activities	Business-Type Activities
2021	$ 5,918	$ 12
2022	4,419	11
2023	2,905	4
2024	2,003	—
2025	1,571	—
2026 - 2030	3,877	—
2031 - 2035	1,660	—
Total minimum payments	22,353	27
Less: interest	(1,736)	(1)
Present value of minimum payments	$ 20,617	$ 26

Assets acquired under capital leases for the primary government by asset class were as follows (in thousands):

Asset Class	
Buildings	$ 1,596
Equipment	38,568
Less: Accum Depreciation	(13,137)
Net Book Value	$ 27,027

B. Operating Leases

Primary government rental payments for operating leases in fiscal year 2020 totaled $26.3 million. Future rental payments under operating leases are as follows (in thousands):

Fiscal Year Ending June 30:	Governmental Activities	Business-Type Activities
2021	$ 23,465	$ 663
2022	21,675	611
2023	19,999	562
2024	17,047	563
2025	14,235	537
2026 - 2030	48,192	1,441
2031 - 2035	26,588	758
Thereafter	13,604	735
Total future rental payments	$ 184,805	$ 5,870

NOTE 11. STATE SHORT-TERM DEBT AND LONG-TERM LIABILITIES

A. General Information

The State has no constitutional limit on its power to issue obligations or incur debt, other than a provision that no debt may be created to cover deficits incurred because appropriations exceeded anticipated revenues. No State debt shall be created unless authorized by a two-thirds vote of the members of each house of the Legislature or a majority of the electors voting thereon. The Board of Examiners (consisting of the Governor, Secretary of State, and Attorney General) is authorized, pursuant to various enabling acts, to issue bonds and notes of the State.

B. Short-term Debt

The Board of Examiners, upon recommendation of the Department of Administration, may issue notes in anticipation of the receipt of taxes and revenues. Notes may not be issued to refund outstanding notes.

During fiscal year 2020, the State issued two bond anticipation notes. The proceeds of the State Revolving Fund Programs Wastewater 2020D and Drinking Water 2019D issuances were used to fund wastewater and drinking water system improvements and rehabilitation. The State made some payments to Drinking Water 2019A, as well as paid off Wastewater 2019B, during fiscal year 2020. An additional bond anticipation note has been authorized, but not issued as of fiscal year-end. The following schedule summarizes the activity for the year ended June 30, 2020 (in thousands):

Bond Anticipation Notes	Beginning Balance	Additions	Reductions	Ending Balance
Water/Wastewater - 2019B	1,190	1,910	3,100	—
Drinking Water - 2019A	1,400	1,500	2,300	600
Drinking Water – 2019D (1)	—	1,300	—	1,300
Water/Wastewater – 2020D (1)	—	1,100	—	1,100

(1) These bond anticipation notes have not been fully drawn at fiscal year-end.

The Board of Investments (BOI) of the State is authorized to issue Intermediate-Term Capital (INTERCAP) bonds under the Municipal Finance Consolidation Act. These bonds may not aggregate more than $190.0 million, as amended by the 2007 Legislature. The purpose of the bonds is to provide funds for BOI to make loans to eligible government units. The bonds are not a debt or liability of the State. The bonds are limited obligations of BOI, payable solely from (1) repayments of principal and interest on loans made by BOI to participating eligible governmental units, (2) investment income under the indenture, and (3) an irrevocable pledge by BOI. BOI has no taxing power. The bonds may be redeemed, at the bondholder's option, any March 1, prior to maturity. BOI did not enter into an arms-length financing agreement to convert the bonds "put," or tender, and did not resell the bonds into some other form of long-term obligation. Accordingly, these bonds, considered demand bonds, are included in short-term debt. The amounts issued and outstanding at June 30, 2020, were as follows (in thousands):

Series	Amount Issued	Balance June 30, 2020
2003	$ 15,000	$ 14,310
2004	18,500	17,975
2007	15,000	14,620
2010	12,000	11,880
2013	12,000	11,960
2017	20,000	19,925
		$ 90,670

The following schedule summarizes the activity relating to the demand bonds during the year ended June 30, 2020 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance
Demand bonds	$ 105,065	$ —	$ 14,395	$ 90,670

C. Long-term Debt

The full faith, credit, and taxing powers of the State are pledged for the payment of all general obligation debt. Revenue and mortgage bonds are secured by a pledge from the facilities to which they relate and by certain other revenues, fees, and assets of the State and the various colleges and universities. Primary government bonds and notes outstanding at June 30, 2020, were as follows (in thousands):

				Principal Payments		
Governmental Activities	Series	Amount Issued	Interest Range (%) [1]	Fiscal Year 2021	In Year of Maturity [2]	Balance June 30, 2020
General obligation bonds						
Hard Rock Mining Reclamation	2002C	2,500	3.5-4.7	180	200 (2023)	570
CERCLA Program [5]	2005D	2,000	3.25-4.3	115	140 (2026)	765
Energy Conservation Program [4]	2006B	3,750	4.0-6.0	320	330 (2022)	650
Long-Range Bldg Program	2008D	3,100	3.375-4.35	160	220 (2028)	1,495
Long-Range Bldg Program Refunding	2010A	20,220	2.0-4.0	710	710 (2021)	710
Trust Land (Taxable)	2010F	21,000	1.55-4.9	1,000	1,450 (2031)	13,265
Long-Range Bldg Program	2010G	550	1.5-2.7	60	60 (2021)	60
Long-Range Bldg Program Refunding	2011D	5,755	3.0-3.25	670	720 (2023)	2,085
Long-Range Bldg Program Refunding	2013C	6,780	2.0-4.0	685	115 (2025)	3,010
Long-Range Bldg Program Refunding	2014	28,810	1.5-5.0	2,085	820 (2028)	17,555
Water Pollution Control Revolving Fund [3]	2015C	24,365	3.0-5.0	905	1,860 (2036)	21,185
Long-Range Bldg Program	2020C	28,900	2.0-5.0	2,605	3,465 (2030)	28,900
Total general obligation bonds		$147,730		$ 9,495		$ 90,250
Special revenue bonds						
Renewable Resource Program (Taxable) [7]	2010C	6,720	0.9-4.2	410	170 (2031)	3,540
Renewable Resource Program [7]	2013A	2,255	2.0-3.625	145	155 (2024)	595
Renewable Resource Program (Taxable) [7]	2013B	3,390	1.0-4.75	210	290 (2029)	2,215
U.S. Highway 93 GARVEE Refunding [8]	2016	22,540	0.74-1.86	3,390	3,740 (2023)	10,685
State Hospital Project [6]	2018	4,575	4.0-5.05	1,130	1,165 (2022)	2,295
Total special revenue bonds		$ 39,480		$ 5,285		$ 19,330

Governmental Activities	Amount Issued	Interest Range (%) (1)	Principal Payments Fiscal Year 2021	Principal Payments In Year of Maturity (2)	Balance June 30, 2020
Notes Payable					
Middle Creek Dam Project (9)	3,272	8.125	96	226 (2034)	1,854
Tongue River Dam Project (10)	11,300	—	290	290 (2038)	5,215
ITSD IBM Professional Services	758	0.19	167	72 (2023)	409
Total notes payable	$ 15,330		$ 553		$ 7,478
Subtotal governmental activities, before unamortized balances					117,058
Unamortized premium					10,348
Total governmental activities	$202,540		$ 15,333		$ 127,406

(1) The interest range is over the life of the obligation.
(2) Year of maturity refers to fiscal year.
(3) This bond provides matching funds to enable the State to obtain capitalization grants from the U.S Environmental Protection Agency for water system development loans to state political subdivisions.
(4) Bonds issued for financing the design, construction, and installation of energy conservation projects at various state buildings.
(5) The CERCLA (Comprehensive Environmental Response, Compensation, and Liability Act) Program Bonds were issued for the purpose of financing the costs of State of Montana participation in the remedial actions under Section 104 of the CERCLA 42 United States Code Sections 9601-9657, and State of Montana costs for maintenance of sites under CERCLA. The CERCLA Bonds are secured additionally by a pledge of monies received by the State as cost recovery payments and revenues derived from the resource indemnity and groundwater assessment tax in the event cost recovery payments are insufficient.
(6) Facility Finance Authority loan to the Department of Public Health and Human Services for the Montana State Hospital Project.
(7) Issued by the Department of Natural Resources and Conservation and backed by a pledge of coal severance taxes and project revenues.
(8) The U.S. Highway 93 GARVEES (Grant Anticipation Revenue Vehicles) Bonds were issued for the purpose of improving a 44.8-mile stretch of U.S. Highway 93. Repayment of the bonds is secured by a pledge of certain federal aid revenues.
(9) U.S. Bureau of Reclamation loan to the Department of Natural Resources & Conservation.
(10) Northern Cheyenne Tribe loan to the Department of Natural Resources & Conservation. The loan will not accrue interest and will be repaid over 39 years. Loan repayment is secured by the issuance of a coal severance tax bond to the tribe.

D. Debt Service Requirements

Primary government debt service requirements at June 30, 2020, were as follows (in thousands):

	Governmental Activities					
	General Obligation Bonds		Special Revenue Bonds		Notes Payable	
Year Ended June 30:	Principal	Interest	Principal	Interest	Principal	Interest
2021	$ 9,495	$ 3,656	$ 5,285	$ 913	$ 553	$ 8
2022	8,845	3,571	5,510	678	560	44
2023	8,905	3,104	4,565	432	465	41
2024	8,320	2,737	860	209	398	41
2025	7,965	2,350	745	141	403	41
2026 - 2030	35,350	6,765	2,195	271	2,095	204
2031 - 2035	9,510	1,547	170	5	2,135	163
2036 - 2040	1,860	47	—	—	869	—
Total	$ 90,250	$ 23,777	$ 19,330	$ 2,649	$ 7,478	$ 542

E. Summary of Changes in Long-term Liabilities

Primary government long-term liability activities for the year ended June 30, 2020, were as follows (in thousands):

	Beginning Balance (4)	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due In More Than One Year
Governmental activities						
Bonds/notes payable						
General obligation bonds	$ 73,090	$ 28,900	$ 11,740	$ 90,250	$ 9,495	$ 80,755
Special revenue bonds	38,425	—	19,095	19,330	5,285	14,045
Notes payable	8,150	—	672	7,478	553	6,925
	119,665	28,900	31,507	117,058	15,333	101,725
Unamortized discount	(7)	7	—	—	—	—
Unamortized premium	7,461	2,887	—	10,348	—	10,348
Total bonds/notes payable (3)	127,119	31,794	31,507	127,406	15,333	112,073
Other liabilities						
Lease/installment purchase payable	12,545	16,653	8,581	20,617	5,634	14,983
Operating lease rent holiday	8	—	8	—	—	—
Compensated absences payable (1)	101,685	59,366	51,758	109,293	51,621	57,672
Estimated insurance claims (1) (2)	79,318	187,262	145,482	121,098	46,576	74,522
Pollution remediation	177,850	—	4,358	173,492	14,250	159,242
Net pension liability	2,220,765	49,435	27,116	2,243,084	—	2,243,084
Total OPEB liability	54,012	—	8,419	45,593	—	45,593
Total other liabilities	2,646,183	312,716	245,722	2,713,177	118,081	2,595,096
Total governmental activities long-term liabilities	$ 2,773,302	$ 344,510	$ 277,229	$ 2,840,583	$ 133,414	$ 2,707,169
Business-type activities						
Lease/installment purchase payable	$ 18	$ 53	$ 45	$ 26	$ 11	$ 15
Compensated absences payable	2,022	1,055	860	2,217	860	1,357
Arbitrage rebate tax payable	44	21	43	22	—	22
Estimated insurance claims	19,069	92,423	93,969	17,523	12,942	4,581
Net pension liability	11,943	662	1,095	11,510	—	11,510
Total OPEB liability	1,004	—	187	817	—	817
Total business-type activities long-term liabilities	$ 34,100	$ 94,214	$ 96,199	$ 32,115	$ 13,813	$ 18,302

(1) The compensated absences liability attributable to the governmental activities will be liquidated by several of the governmental and internal service funds. The Employee Group Benefits and Administration Insurance internal service funds will liquidate the estimated insurance claims liability.

(2) $36.4 million Administration Insurance Plans included in the table above, are related to a catastrophic property loss for which the insurance proceeds were received prior to the incurred expenses.

(3) Deferred outflows, including those related to bonds payable, are reported separately on the Statement of Net Position based on GASB Statement No. 65.

(4) Total OPEB liability and Pension benefits payable beginning balances were restated due to prior period adjustments.

F. Refunded and Early Retired Debt

Prepayments

The Department of Natural Resources and Conservation (DNRC) used current available resources to make several prepayments: $1.2 million on Series 2010B general obligation bond, $450.0 thousand on Series 2013D general obligation bond, $1.2 million on Series 2013E general obligation bond, $805.0 thousand on Series 2003A special revenue bond, $1.1 million on Series 2010B state special revenue bond, and $865.0 thousand on Series 2013A special revenue bond. The prepayments on all three general obligation bonds, as well as those made to special revenue bonds Series 2003A and Series 2010B, resulted in payoffs.

G. No-Commitment Debt

Information is presented below for financing authorities participating in debt issues. The related debt issued does not constitute a debt, liability, obligation, or pledge of faith and credit of the State. Accordingly, these bonds and notes are not reflected on the accompanying financial statements.

Montana Board of Investments (BOI)
BOI is authorized to issue Qualified Zone Academy Bonds (QZAB) under the Municipal Finance Consolidation Act as conduit (no-commitment) debt. The revenues, and in some cases, the taxing power of the borrower, are pledged to repay the bonds. At June 30, 2020, QZAB debt outstanding aggregated $5.0 million.

BOI is also authorized to issue Qualified School Construction Bonds (QSCB) under the Municipal Finance Consolidation Act as conduit (no-commitment) debt. The revenues of the borrower are pledged to repay the bonds. At June 30, 2020, QSCB debt outstanding aggregated $3.9 million.

H. Estimated Pollution Remediation Obligation

Estimated pollution remediation obligations are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The estimates are derived using the expected cash flows method as well as technical estimates from record of decisions, consent decrees, and/or settlement agreements. There may be factors influencing the estimates that are not known at this time. Prospective recoveries from other responsible parties may reduce the State's obligation.

The State's estimated pollution remediation liability as of June 30, 2020, was $173.5 million. Of this liability, $4.5 million resulted in settlement agreements to provide restoration of natural resources, water supplies, and natural resource-based recreational opportunities up to the settlement amount; $162.5 million is based on decrees or settlements for remediation activities. Other estimated liabilities have been recorded for soil and Polychlorinated Biphenyls (PCB) contamination, as well as removal of asbestos contamination. The estimated pollution remediation liability was recorded in compliance with accounting and reporting standards and does not constitute the State's total acceptance of the liability or responsibility on these matters.

I. Non-Exchange Financial Guarantee

BOI provides loan guarantees from the Coal Severance Tax Fund to the Facility Finance Authority (FFA). BOI exposure to bond issues, surety bonds, and designated loans of the FFA totaled $88.3 million as of June 30, 2020. FFA is a discretely presented component unit of the State of Montana. FFA guarantee requests are submitted to BOI for review and approval. BOI's participation, either duration or any other consideration, to either purchase bonds or loans or to lend money for deposit into FFA's statutorily allowed capital reserve account is explicitly limited by statute, which requires BOI to act prudently. The guarantee requests from FFA pertain to bonds issued by FFA with a term of up to 40 years. BOI receives a credit enhancement fee at FFA bond closing based on the term of the financing, the type of bond, the rating of the borrower, and the type of reserve fund. BOI and FFA have entered into an agreement detailing repayment to BOI. The credit enhancement fee received during the fiscal year was $54.0 thousand. BOI has not had to perform on any loan guarantee in the past.

The following schedule summarizes the activity related to the non-exchange financial guarantee during the year ended June 30, 2020 (in thousands):

Beginning Balance	Additions	Reductions	Ending Balance
$ 88,941	$ 4,000	$ 4,595	$ 88,346

NOTE 12. INTERFUND BALANCES AND TRANSFERS

A. Balances Due From/To Other Funds

Balances due from/to other funds arise when there is a time lag between the dates that reimbursable expenditures and interfund services provided/used are recorded in the accounting system and the dates on which payments are made. Balances also arise when there is a time lag between the dates transfers between funds are recorded and the dates on which payments are made. Balances due from/to other funds also include the current portion of balances related to amounts loaned by the Municipal Finance Programs to other funds, under the Board of Investments' INTERCAP loan program. Balances due from/to other funds are expected to be repaid within one year from origination.

Balances due from/to other funds at June 30, 2020, consisted of the following (in thousands):

	Due to Other Funds								
	Coal Severance Tax	Federal Special Revenue	General Fund	Internal Service Funds	Land Grant	Nonmajor Enterprise Funds (2)	Nonmajor Governmental Funds	State Special Revenue	Total
Due from Other Funds									
Coal Severance Tax	$ —	$ —	$ —	$ —	$ —	$ —	$ 8	$ —	$ 8
Federal Special Revenue	—	—	2,871	—	—	—	—	11	2,882
General Fund	—	1,499	—	—	—	15,954	—	9,018	26,471
Internal Service Funds	40	26	—	—	—	—	—	43	109
Municipal Finance Programs	—	—	—	1,924	—	—	1,414	—	3,338
Nonmajor Governmental Funds	—	308	29	—	—	—	—	1,110	1,447
State Special Revenue (1)	550	18	170	—	1,750	125	524	—	3,137
Total	$ 590	$ 1,851	$ 3,070	$ 1,924	$ 1,750	$ 16,079	$ 1,946	$ 10,182	$ 37,392

(1) Total due from other funds to the state special revenue fund on the fund financial statement is reported as $13.7 million. The difference of $10.6 million between the amount reported above of $3.1 million and the amount reported in the fund financial statement relates to long-term receivables. The receivables are reported on the fund financial statement, and the long-term liabilities are reported on the government-wide statement.

(2) Total due to other funds from the non-major enterprise funds on the fund financial statement is reported as $16.3 million. The difference of $245.1 thousand between the amount reported above of $16.1 million and the amount reported on the fund financial statement relates to loans payable. The receivables are reported on the government-wide statement, and the liabilities are reported on the fund financial statement.

B. Interfund Loans Receivable/Payable

Montana statutes include a provision for interfund loans when the expenditure of an appropriation is necessary, and the cash balance in the account from which the appropriation was made is insufficient to pay the expenditure. Interfund loans receivable/payable are expected to be repaid within one year from the date of origination.

Interfund loans receivable/payable at June 30, 2020, consisted of the following (in thousands):

	Interfund Loans Payable								
	Coal Severance Tax	Federal Special Revenue	Internal Service Funds	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	State Special Revenue	Land Grant	Unemployment Insurance	Total
Interfund Loans Receivable									
General Fund	$ 1,332	$ 88,769	$ 258	$ 257	$ 80	$ 5,283	$ —	$ —	$ 95,979
Nonmajor Enterprise Funds	—	61	—	—	—	—	—	—	61
Nonmajor Governmental Funds	—	—	—	—	—	5	—	—	5
State Special Revenue	—	100,225	19	200	—	—	10	1,500	101,954
Total	$ 1,332	$ 189,055	$ 277	$ 457	$ 80	$ 5,288	$ 10	$ 1,500	$197,999

C. Advances To/From Other Funds

Advances to/from other funds represent the portion of interfund loans that are not expected to be repaid within one year from the date of origination. Advances to/from other funds also include the noncurrent portion of balances related to amounts loaned by the Municipal Finance Programs to other funds, under the Board of Investments' INTERCAP loan program. For more information on the INTERCAP loan program, refer to Note 11.

Advances to/from other funds at June 30, 2020, consisted of the following (in thousands):

	Advances from Other Funds				
	Federal Special Revenue	Internal Service Funds	Nonmajor Governmental Funds	State Special Revenue	Total
Advances to Other Funds					
Coal Severance Tax	$ —	$ —	$ 2,507	$ —	$ 2,507
General Fund	355	—	—	—	355
Municipal Finance Programs	—	5,407	1,601	—	7,008
Nonmajor Governmental Funds	—	—	—	6,065	6,065
State Special Revenue	25,131	—	3,217	—	28,348
Total	$ 25,486	$ 5,407	$ 7,325	$ 6,065	$ 44,283

Additional detail for certain advance balances at June 30, 2020, follows (in thousands):

Advances from the Municipal Finance Programs under the INTERCAP Loan Program

Departmental Function	Balance
Natural Resources and Conservation	$ 1,601
Fish, Wildlife, and Parks	756
Transportation	4,651
Total	$ 7,008

D. Interfund Transfers

Routine transfers between funds are recorded to (1) transfer revenues from the fund legally required to receive the revenue to the fund authorized to expend the revenue, (2) transfer resources from the General Fund and special

revenue funds to debt service funds to support principal and interest payments, (3) transfer resources from enterprise funds to the General Fund to finance general government expenditures, and (4) provide operating subsidies.

Interfund transfers for the year ended June 30, 2020, consisted of the following (in thousands):

	Transfers Out								
	Coal Severance Tax	Federal Special Revenue	General Fund [1]	Internal Service Funds [2]	Land Grant	Nonmajor Enterprise Funds [3]	Nonmajor Governmental Funds	State Special Revenue	Total
Transfers In									
Coal Severance Tax	$ —	$ —	$ —	$ —	$ —	$ —	$ 2	$ —	$ 2
Federal Special Revenue	—	—	20	—	—	—	—	1,465	1,485
General Fund [1]	21,600	114	—	—	5	50,522	—	14,532	86,773
Internal Service Funds	—	—	1,400	—	—	—	—	34,737	36,137
Land Grant	—	—	5	—	—	—	—	1	6
Nonmajor Enterprise Funds	—	—	—	—	—	—	—	458	458
Nonmajor Governmental Funds	589	31,838	19,685	—	2,187	—	1,376	12,987	68,662
State Special Revenue	11,598	16,681	55,839	391	59,393	8,752	23,559	—	176,213
Total	$ 33,787	$ 48,633	$ 76,949	$ 391	$ 61,585	$ 59,274	$ 24,937	$ 64,180	$369,736

(1) $57.1 million was transferred from the General Fund to the Budget Stabilization Reserve Fund; however, those funds are combined for reporting purposes. Therefore the transfer is not accounted for in the above table as both the transfer-in and the respective transfer-out have been eliminated as required for proper financial reporting.

(2) Total transfers-out for internal service funds on the fund financial statements is reported as $944.0 thousand. The difference of $553.3 thousand between the amount reported above of $390.7 thousand and the amount reported on the fund financial statements relates to the transfer of capital assets between a governmental fund type and the internal service fund type. When capital assets are transferred between these fund types, the transferring fund reports the net book value of the capital asset as a transfer-out, and the receiving fund reports the net book value of the capital asset as a capital contribution.

(3) Total transfers-out for nonmajor enterprise funds on the fund financial statements is reported as $59.4 million. The difference of $120.9 thousand between the amount reported above of $59.3 million and the amount reported on the fund financial statements relates to the transfer of capital assets between a governmental fund type and the nonmajor enterprise fund type. When capital assets are transferred between these fund types, the transferring fund reports the net book value of the capital asset as a transfer-out, and the receiving fund reports the net book value of the capital asset as a capital contribution.

NOTE 13. FUND EQUITY DEFICITS

The following funds have a deficit net position remaining at June 30, 2020, as follows (in thousands):

Fund Type/Fund	Deficit [1]
Governmental Funds	
Federal Special Revenue [2]	$ (6,800)
Federal/Private Construction Grants	(710)
Internal Service Funds	
Information Tech Services	$ (16,334)
Building and Grounds	(1,171)
Admin Central Services	(1,817)
Labor Central Services	(5,962)
Commerce Central Services	(1,377)
OPI Central Services	(2,227)
DEQ Indirect Cost Pool	(3,623)
Payroll Processing	(1,638)
Warrant Processing	(8)
Investment Division	(2,298)
Aircraft Operation	(678)
Justice Legal Services	(709)
Personnel Training	(159)
Other Internal Services	(345)
SABHRS Finance & Budget Bureau	(252)
Enterprise Fund	
State Lottery	$ (1,898)
Subsequent Injury	(1,313)
Local Government Audits	(163)

(1) The allocation of net pension liability and total OPEB liability is a significant factor in creating these deficits. For more detail related to these liabilities, see Notes 6 and 7, respectively.

(2) Delayed fire season federally reimbursable costs, which are currently reported as unavailable revenues within deferred inflow of resources, is a significant factor creating this deficit.

NOTE 14. MAJOR PURPOSE PRESENTATION

Special Revenue and Fund Balances Classifications by Purpose – In the governmental fund financial statements, classifications of special revenue fund revenues and fund balances are presented in the aggregate. The tables presented below further display the special revenue fund revenues and fund balances by major purpose for the year ending June 30, 2020.

State Special Revenue By Source (in thousands)

	General Government	Public Safety	Transportation	Health and Human Services	Education	Natural Resources	Total
Licenses/permits	$ 124,482	$ 46,545	$ 22,478	$ 3,280	$ 156	$ 88,698	$ 285,639
Taxes	212,989	5,091	260,331	—	—	16,733	495,144
Charges for services	26,865	18,209	9,307	33,009	2,346	16,905	106,641
Investment earnings	700	11,852	507	491	1,513	24,100	39,163
Securities lending income	—	27	—	—	3	45	75
Sale of documents/ merchandise/property	1,386	3,417	89	84	6	7,554	12,536
Rentals/leases/royalties	298	16	672	50	7	303	1,346
Contributions/premiums	28,290	—	—	5,204	—	315	33,809
Grants/contracts/donations	1,495	767	276	10,545	1,791	4,629	19,503
Federal	6,184	—	1	430	27	—	6,642
Federal indirect cost recoveries	—	—	52,086	43	—	5,380	57,509
Other revenues	2,112	429	291	140	193	784	3,949
Transfers in	35,320	8,602	1,536	8,034	1,264	121,457	176,213
Total State Special Revenue	$ 440,121	$ 94,955	$ 347,574	$ 61,310	$ 7,306	$ 286,903	$ 1,238,169

Federal Special Revenue By Source (in thousands)

	General Government	Public Safety	Transportation	Health and Human Services	Education	Natural Resources	Total
Charges for services	$ 818	$ 6	$ —	$ 6,531	$ 1	$ 2	$ 7,358
Investment earnings	456	17	—	—	57	138	668
Securities lending income	37	—	—	—	—	—	37
Grants/contracts/donations	—	—	—	13	59	—	72
Federal	204,771	18,983	565,747	2,071,021	193,655	126,323	3,180,500
Federal indirect cost recoveries	—	—	—	91,703	58	1,526	93,287
Other revenues	6	9	—	1,269	2	3	1,289
Transfers in	—	1,356	—	109	20	—	1,485
Total Federal Special Revenue	$ 206,088	$ 20,371	$ 565,747	$ 2,170,646	$ 193,852	$ 127,992	$ 3,284,696

Governmental Fund Balance By Function, June 30, 2020
(in thousands)

		Special Revenue		Permanent			
	General	State	Federal	Coal Severance Tax	Land Grant	Nonmajor	Total
Fund balances:							
Nonspendable							
Inventory	$ 3,704	$ 20,118	$ —	$ —	$ —	$ —	$ 23,822
Permanent fund principal	—	500	—	655,267	845,746	384,871	1,886,384
Long-term notes/receivables	355	—	—	—	—	—	355
Prepaid expense	844	692	252	—	—	—	1,788
Total nonspendable	4,903	21,310	252	655,267	845,746	384,871	1,912,349
Restricted							
General government	—	27,413	—	—	—	24,353	51,766
Public safety	—	198,844	—	—	—	1	198,845
Transportation	—	127,891	—	—	—	—	127,891
Health and human services	—	9,020	—	—	—	680	9,700
Education	—	14,502	—	—	—	7	14,509
Natural resources	—	768,734	—	—	—	10,696	779,430
Total restricted	—	1,146,404	—	—	—	35,737	1,182,141
Committed							
General government	117,773	140,565	—	566,510	—	28,148	852,996
Public safety	—	61,203	—	—	—	—	61,203
Transportation	—	16,837	—	—	—	—	16,837
Health and human services	—	40,453	—	—	—	—	40,453
Education	—	19,946	—	—	—	—	19,946
Natural resources	—	389,397	—	—	—	26,809	416,206
Total committed	117,773	668,401	—	566,510	—	54,957	1,407,641
Assigned							
General government	—	—	—	—	—	836	836
Public safety	—	—	—	—	—	208	208
General Fund spend down	72,700	—	—	—	—	—	72,700
Encumbrance	16,769	—	—	—	—	—	16,769
Total assigned	89,469	—	—	—	—	1,044	90,513
Unassigned	380,667	—	(7,051)	—	—	(709)	372,907
Total fund balance	$ 592,812	$ 1,836,115	$ (6,799)	$ 1,221,777	$ 845,746	$ 475,900	$ 4,965,551

NOTE 15. RELATED PARTY TRANSACTIONS

The Montana School for the Deaf and Blind is associated with a foundation, which is a nonprofit organization outside of state government. The school's foundation is governed by a board of directors that annually approves a budget for the financial support to be provided to the school. This budget defines the allowable expense categories for the year. A school employee is the person approving the expenses to be paid by the foundation based on its budget. The employee submits the approved invoices to the foundation's bookkeeper, who then prepares the checks and submits them to a board member who reviews backup documentation and signs the checks.

The Department of Labor and Industry's Workforce Services Division rents space in Libby, MT, from Mineral Plaza, LLC, in which one of the owners is a local job service manager. The term of the lease is July 1, 2013 and ending June 30, 2021. The annual lease amount is currently set at $21.3 thousand.

The Department of Labor and Industry Workforce Services Division rents space in Cut Bank, MT from Glacier Community Health Center, Inc., in which one of the active board members is a local job service manager. The term of the lease is July 1, 2019 and ending June 30, 2022. The annual lease amount is currently set at $35.0 thousand.

The relative of a member of Montana Department of Transportation's (MDT) management team is part owner of a business that holds a State term contract for supplies. A term contract is a contract in which a source for supplies is established for a specific period of time at a predetermined unit price. The term contracts are issued by the State Procurement Bureau of the Department of Administration (DOA) and state agencies are required to use the DOA issued term contracts for such supplies. MDT purchased supplies from this business in the amount of $95.9 thousand for the fiscal year ended June 30, 2020.

A relative of a member of MDT's Management Team is part owner of a business which has been granted the right by the local airport to operate and provide related services. There is only one such operator at this airport. Given this exclusivity, MDT had transactions with this business. MDT purchased services in the amount of $16.9 thousand for the fiscal year ended June 30, 2020.

Per Section 85-1-617 and 85-1-624, MCA, Renewable Resource Grant and Loan Program, the Department of Natural Resources and Conservation (DNRC) is eligible to issue General Obligation (GO) bonds for the purpose of making private sale loans. DNRC has applied and received "recycled loan funds" from the SRF program for the non-point source private loan program. The loans are GO private sale bonds. The balances for loans in repayment for fiscal year 2020 was $3.1 million. The loans have interest rates of 2.5% and are repaid over 15 years. These loans are presented as Advances to Other Funds on the balance sheets.

Per Administrative Rules of Montana 17.58.101, the Montana Petroleum Tank Release Compensation Board (Board) is an independent board that is attached to Department of Environmental Quality (DEQ) for administrative purposes only. Board members are required to follow Montana's code of ethics, which includes recusing oneself in matters related to a conflict of interest. DEQ is required to go through a competitive bidding process to ensure this State law is followed. Four Board members were identified as having related party transactions with DEQ. These relationships include members who are: 1) an employee of a company that had a release and is receiving funds; 2) an agent for an insurer that covered a station tank release and is receiving funds; 3) an officer in a bank that receives funds; and 4) a contractor for DEQ, that is responsible for clean-up oversight, and is also a shareholder of a separate company that receives funds. A DEQ employee's spouse is an elected City Commissioner for the City of Helena which was awarded $25.5 thousand in VW Settlement funds for three electric charging stations by DEQ. Total payments to all related parties were direct payments to the contractors in the amount of $282.2 thousand and $34.0 thousand, and indirect payments to the bank and the insurance company in the amount of $45.1 thousand and $12.1 thousand, respectively, for the fiscal year ended June 30, 2020.

All lotteries that offer multi-state games transact with the Multi-State Lottery Association (MUSL), which requires the lottery directors from each of the states to be on the MUSL board of directors. The Director of the Montana Lottery is on the MUSL board, and serves as the Secretary of its board of directors. As such, the Director of the Montana Lottery is in a management position for both MUSL and the Montana Lottery, which have significant transactions between each other. The Montana Lottery has prize reserves with MUSL in the amounts of $1.1 million for the fiscal year ended June 30, 2020. The prize reserve monies are assets of the Montana Lottery and would be

returned if the Montana Lottery were to quit any of the multi-state games. Weekly, MUSL collects each state's share of prize expenses to go towards respective jackpots. If a state has a large enough prize amount or number of winners for any particular draw, MUSL would then reimburse any state for the excess prize payments. The Montana Lottery paid MUSL $5.4 million for its share of prizes and received reimbursements for prizes in the amount of $3.0 million for the fiscal year ended June 30, 2020.

There are campus-affiliated foundations within the Montana University System (MUS) as identified in the Montana Board of Regents of Higher Education Policy 901.9 – Campus-Affiliated Foundations; Montana University System Foundation. The private foundations affiliated with campuses of the MUS provide support to their respective campuses, consistent with the mission and priorities of such campus. As such, transactions occur between the Commissioner of Higher Education and said foundations as reimbursements for hosting MUS constituents and other related events and gatherings. These transactions do not affect the financial statements in any way; however, total such transactions were $7.3 thousand for the fiscal year ended June 30, 2020.

In addition, the MUS Group Insurance Program offers insurance coverage and receives insurance premiums from other related parties such as the campus-affiliated foundation and the community colleges. This premium revenue for campus-affiliated foundations and the community colleges approximately amounts to $6.5 million for the fiscal year ended June 30, 2020.

Montana Higher Education Student Assistance Corporation (MHESAC) has no employees and its business operations are managed by the Student Assistance Foundation (SAF). A Board of Regents board member is also a MHESAC Board of Directors member, an Office of the Commissioner of High Education OCHE staff member is a MHESAC officer, and the Commissioner of Higher Education is an Ex-Officio member of the board.

NOTE 16. CONTINGENCIES

Litigation

The State is party to legal proceedings, which normally occur in government operations. The legal proceedings are not, in the opinion of the State's legal counsel and the Department of Administration, likely to have a material adverse impact on the State's financial position, except where listed below.

In State of Montana v. Philip Morris, Inc., No. CDV 97-306 (Mont. first Jud. Dist. Lewis & Clark County), the State of Montana filed various claims against six tobacco manufacturers seeking recovery of an unspecified amount of damages, penalties, and attorney’s fees. The lawsuit was resolved eventually through two settlements. The State first settled its claims against one of the manufacturers, Liggett & Meyers, Inc., for $1.0 million to be paid over a 20-year period. Next, Montana was among the Settling States that signed onto the 1998 Master Settlement Agreement (MSA) and settled its claims against the remaining manufacturers for a settlement amount calculated annually on cigarette sales by Participating Manufacturers in perpetuity. The base amount was augmented by $90.0 million in 1999 for a strategic contribution portion for those states instrumental in obtaining the settlement, with the additional amount to be paid in equal installments over a 10-year period beginning in 2007 and ending in 2017. Multiple other tobacco product manufacturers joined the MSA after the initial signing period. Collectively, the signing manufacturers are known as “Participating Manufacturers.”

The settlement provides that the tobacco product manufacturers may potentially offset, against their payment in any year, certain amounts of money if it is found that the Participating Manufacturers have lost more than 2% of their national market share (from 1997) to non-settling manufacturers (known as NPMs) and that the disadvantages imposed by the settlement were a “significant factor” in the market share loss. The settlement further provides that the offset, known as the “NPM adjustment,” may not be taken against the payments to any state that has enacted a “Qualifying Statute” and diligently enforced the statute during the year in question. Montana enacted such a Qualifying Statute in 1999, Section 16-11-401 to 404, MCA, and complementary legislation in 2003, Section 16-11-501 to 512, MCA.

In March 2006, a determination was made (pursuant to the settlement) that the Participating Manufacturers had lost sufficient market share in 2003 to trigger an NPM adjustment analysis and that disadvantages caused by the settlement were a significant factor in the market share loss. Similar findings have been made or agreed to for years 2004 through 2017. The State filed a motion in the Montana lawsuit seeking a declaration that it diligently enforced its Qualifying Statute during 2003. The Participating Manufacturers moved to compel arbitration of the question. The First Judicial District Court ordered arbitration but was overruled on appeal to the Montana Supreme Court. Virtually all of the other Settling States filed similar motions or new actions in their various court systems, preferring to litigate their diligent enforcement disputes in court rather than in the tobacco companies proposed nationwide arbitration. Montana was the only state to prevail on its argument against arbitration before its highest state court. Montana then successfully defended the favorable ruling from a petition for rehearing in Montana and, ultimately, a *certiorari* petition to the U.S. Supreme Court filed by tobacco companies, which the Court rejected.

Simultaneously, arbitration between the other Settling States and the tobacco companies commenced and proceeded to discovery. After the U.S. Supreme Court denied *cert* regarding Montana’s participation in the arbitration, the tobacco companies sought and received a stay of Montana’s litigation pending completion of the nationwide arbitration, effectively shutting Montana out of any opportunity for input or influence over standards for determining what constitutes “diligent enforcement,” and potentially subjecting Montana to whatever standards may ultimately result from the ongoing nationwide arbitration for lack of any alternative interpretative precedent. Thereafter, the Montana Supreme Court granted Montana’s writ for supervisory control, overturned the stay, and allowed the State’s district court action to proceed to discovery.

The Montana litigation ended with entry of a stipulated consent decree on June 25, 2012, reflecting the tobacco companies’ determination after initial discovery that they would not contest Montana’s diligent enforcement during 2003. In the nationwide arbitration, and as applied to Montana’s consent decree, a “no contest” determination for an individual state means that state would not participate in the NPM Adjustment for 2003 (*i.e.*, as a “no contest” state Montana had no reduction to its annual OPM settlement payments for 2003).

However, the "no contest" for 2003 has no precedential effect in any subsequent year for Montana or any other state's case. Accordingly, Montana was not subject to the 2003 NPM Adjustment. Still the consent decree specifically articulated that Defendants' consent to its terms "is not a factual concession that Montana, in fact, did or did not diligently enforce the Montana Qualifying Statute in 2003 or any other year."

Despite Montana's successful defense of its 2003 and 2004 enforcement actions no precedential protections exist, and the State remains vulnerable to further expected litigation regarding its diligent enforcement in 2005-2017. The Participating Manufacturers have already received a determination that MSA terms were a "substantial factor" reducing their market share and triggering an NPM Adjustment analysis with the potential to reduce annual payments for those Settling States which failed to enforce their statutes diligently.

The Participating Manufacturers conceded that Montana enacted a qualifying statute within the meaning of the MSA, which was in full force and effect during 2005-2016 and thereafter to date. Factual arguments exist to show that Montana diligently enforced its Qualifying Statute during 2005-2017. However, legal and procedural uncertainties exist that make an adverse determination possible. An adverse determination on the diligent enforcement issue could result in the loss of some or all of the MSA annual payments to the State for years 2005-2017, which would be recouped through an offset of payments due to Montana in future years. The Participating Manufacturers will assert claims for NPM adjustments for future years as well. The outcome of these claims is also uncertain.

In 2015, certain Settling States and Participating Manufacturers commenced multi-state arbitration of the issue of diligent enforcement for calendar year 2004. Montana is not a party to this arbitration; this arbitration continues.

Montana filed a Declaratory Judgment Motion in 2017 for the 2004 NPM Adjustment to have its MSA Court (First Judicial District) declare that Montana had a qualifying statute in place and diligently enforced its Qualifying Statute for the 2004 calendar year. The Participating Manufacturers conceded that Montana has a Qualifying Statute. As part of this action, Montana successfully obtained a ruling from its MSA Court on the burden of proof whereby the Participating Manufacturers must prove that Montana did not diligently enforce its Qualifying Statute to succeed under the NPM Adjustment. Montana is the only state party to the MSA with this ruling on the burden of proof. On the eve of trial, the Participating Manufacturers settled with Montana for all of the 2004 NPM Adjustment funds previously withheld plus interest and earnings. The settlement does not provide a precedent for future NPM Adjustment proceedings, except for the ruling on the burden of proof.

A stipulated dismissal with prejudice was filed on November 17, 2020 following a settlement of $65.3 million to be paid to the State for withheld payments from the disputed payment account. The State also secured ongoing relief for the next eleven years preventing the participating manufacturers from claimed the State did not diligently enforce the Master Settlement Agreement.

<u>PPL v. Montana</u> involves ownership of sections of riverbed on the Missouri, Clark Fork, and Madison rivers. The case originated in 2003, when a group of parents of school-age children sued Petitioner PPL Montana, LLC (PPL), in Federal Court, alleging that the company must pay rent for the use of state-owned riverbeds to generate hydroelectric power. After the Federal Court dismissed the case for lack of jurisdiction, PPL filed an action in state district court seeking a declaration that the state could not charge them rent for the use of the riverbeds at issue. The State intervened in the case and counterclaimed for a declaration that PPL and its co-plaintiffs unlawfully occupied state lands and must compensate the State land trust on behalf of its public beneficiaries for the use of those lands. The legal test for ownership of the riverbeds is whether the rivers at issue were navigable at the time of statehood. Based upon the historical record, the District Court granted the State summary judgment on the question of navigability, and the case proceeded to trial on the issue of compensation for the use of trust lands. In June of 2008, the Court issued its ruling and ordered that PPL owed the State almost $41.0 million for past use of the riverbeds.

PPL appealed the decision to the Montana Supreme Court. The case was briefed and argued before the Court. In March of 2010, the Montana Supreme Court issued a decision upholding the district court's finding of navigability and determination of compensation.

PPL appealed the case to the United States Supreme Court. The case was briefed and argued, and in February of 2012, the Court reversed the Montana Supreme Court's decision. The United States Supreme Court concluded that the Montana courts had applied an incorrect legal standard for determining a river's navigability. The Court clarified that navigability had to be determined on a segment-by-segment basis. The Court remanded the case for further proceedings, and the case currently is pending in the Montana First Judicial District, Lewis and Clark County, Judge Michael McMahon presiding. The cause number is CDV 2004-846. Additional detail is provided below as the case has been remanded to the United States District Court, District of Montana, Helena Division.

The most obvious impact of the Supreme Court's decision is that the State is no longer entitled to the $41.0 million judgment. The monetary amount that the State may be entitled to depends on the navigability of the rivers, which will have to be determined under the Supreme Court's segment-by-segment approach. Going forward, the litigation will focus on applying the Supreme Court's segmentation approach to determine the navigable reaches of the Madison, Clark Fork, and Missouri Rivers. At this stage, it is difficult to predict an outcome of this litigation.

A less obvious financial impact is the bill of costs that PPL submitted to the district court following the remand. PPL requested that the district court tax the State of Montana with $1.2 million for PPL's costs relating to the appellate proceedings. All, but approximately $31.0 thousand, relate to premiums that PPL paid for a supersedeas bond in support of staying the $41.0 million judgment. In May 2012, the State filed its response to PPL's bill of costs and agreed to costs for $31.3 thousand. However, the State moved the court to deny PPL's request for costs related to the supersedeas bond. The parties stipulated to hold this issue in abeyance until the court rules on all remaining matters in the case. Counsel for the State has agreed to release the supersedeas bond. In the opinion of counsel, there are good legal arguments that support the State's position that it should not be required to pay the supersedeas bond premiums; however, legal and procedural uncertainties exist that make an adverse determination reasonably possible.

This case, now known as State of Montana v. Talen Montana, LLC et al. (Cause No. CV 16-35-H-DLC-JCL), is scheduled for a bench trial beginning September 27, 2021. All Defendants have answered the State's amended complaint, including the recently added Defendant United States. The State's expert witnesses have been disclosed and Defendants' expert witnesses are required to be disclosed in February 2021. Discovery will close May 21, 2021. The State's claims against the utilities remain unchanged and the State still holds the opinion that no further potential liability to the State is expected relative to this action and no additional updates are necessary in regard to the outstanding litigation.

Diaz et al. v. Blue Cross and Blue Shield of Montana et al. (Diaz) was a lawsuit filed in the Montana First Judicial District Court, Lewis and Clark County, Cause No. BVD-2008-956, in October 2008, by plaintiffs Jeanette Diaz, Leah Hoffman-Bernhardt, and Rachel Laudon, individually, and on behalf of others similarly situated, naming Blue Cross and Blue Shield of Montana (BCBS), New West Health Services (New West), Montana Comprehensive Health Association, and the State of Montana (State) as defendants. The complaint alleges that the defendants have violated the made-whole laws of Montana and illegally given themselves subrogation rights.

On June 12, 2009, the Plaintiffs filed with the District Court a motion for class certification. The District Court Judge denied the Plaintiffs' motion for class certification on December 16, 2009. The Plaintiffs appealed this decision to the Montana Supreme Court. As part of the review of the underlying decision denying class certification, the Montana Supreme Court remanded the case to the District Court to determine the question of whether the made-whole laws, codified in Section 2-18-902 and 33-30-1102, MCA, apply to the various types of third-party administrators (TPAs) at issue in Diaz. The District Court held that these laws do not apply to TPAs. The Plaintiffs appealed this decision.

On December 21, 2011, the Supreme Court issued its decision, holding that the District Court abused its discretion in denying a class action and that BCBS and New West, as TPAs of the State's health plan, are not subject to the made-whole laws as "insurers" under Section 2-18-901 to 902, MCA, or under a third-party beneficiary theory.

On June 20, 2012, the District Court ruled on the State's summary judgment motion seeking an order from the court that the State has not violated the made-whole laws in the administration of its health plan. The court denied the State's motion, ruling that the State is an insurer for the purposes of the made-whole laws and that it must conduct a made-whole analysis before exercising and subrogation/coordination of benefits rights. The State filed with the

District Court a motion requesting that the court certify its decision to the Montana Supreme Court. The District Court granted the motion, and the Montana Supreme Court, over Plaintiffs' objection, ultimately agreed in a November 27, 2012, Order to hear this issue. The Plaintiffs also appealed to the Montana Supreme Court, the District Court's definition of the class action.

On August 6, 2013, the Montana Supreme Court issued its opinion, affirming the Montana First Judicial District Court's decision defining the class action to include only those State benefit plan members who had timely filed claims for covered benefits within eight years before the filing of the Plaintiffs' complaint, which was October 23, 2008.

On November 6, 2013, the Montana Supreme Court issued its opinion, affirming the District Court's June 20, 2012 decision that the applicable made-whole laws apply to the State benefit plan.

On September 8, 2014, the District Court issued an order ruling on several motions that the parties had filed. The principal rulings were: (i) the Court authorized Plaintiffs to proceed with additional discovery to determine if the class definition should be altered or amended; (ii) given its order to allow additional discovery, the Court held in abeyance its decision on the State's Motion for Summary Judgment requesting that the class be limited to those who timely filed claims within the one-year filing restriction contained in the State's policy; (iii) the Court granted the Plaintiffs' motions asking the Court to require the State to conform its health plans, procedures, notices and practices to comply with the Montana Supreme Court's rulings in this case and to pay covered medical expenses, await the resolution of claims against liability carriers, and then conduct a made-whole determination before it can exercise subrogation or accept reimbursements from its members or providers; and (iv) the Court ordered the parties to develop a class notice to be sent to past and current plan members dated back to eight years before this suit was filed. The State and Plaintiffs' counsel developed the notice that has been sent to class members.

On April 13, 2015, the District Court issued an Order on Interest to Be Paid, requiring the State to include in the payments ultimately made to class members' interest at the rate of 10.0% per annum. For claims arising before December 24, 2009, interest will begin 30 days following the Montana Supreme Court's decision in Blue Cross and Blue Shield of Montana, Inc. v. Montana State Auditor. For any claims arising after December 24, 2009, interest will begin starting on the day the underlying medical expenses were incurred.

On October 5, 2015, the Plaintiffs filed with the District Court a motion directing the State to pay attorney fees arising from the class action suit. On November 9, 2015, the District Court issued an order denying Plaintiffs' motion for attorney fees.

On December 14, 2015, the District Court issued an order certifying that its orders concerning interest and attorney fees were final for purposes of an appeal to the Montana Supreme Court. On January 12, 2016, the Plaintiffs filed a Notice of Appeal with the Montana Supreme Court, appealing the interest and attorney fee orders.

Pursuant to the Montana Supreme Court's mandatory mediation process, the parties reached a settlement on attorney fee payments; however, the parties did not reach agreement on the interest issue. On October 25, 2016, the Montana Supreme Court issued its ruling on the interest issue, finding that November 14, 2009, is the date that interest commences; and, for claims arising after November 14, 2009, interest will begin starting on the day the underlying medical expenses were incurred.

On April 28, 2017, the District Court appointed a Special Master to consider and resolve issues regarding expanding the class to persons with unsubmitted claims; whether to include claims after 2009; whether the State must identify members from third party administrators other than Blue Cross/Blue Shield; whether, if at all, the State must reform its systematic practices; supervising the payment and notice process; which party or parties should pay the Special Master for her time and expenses; whether the District Court should approve a partial payment of attorney fees; setting a time frame for making claims; setting a time for ending the class action; determining payment of residual funds; any other issues as necessary to facilitate the swift and equitable resolution of the case.

As of June 30, 2017, the State paid Plaintiffs $1.4 million in based payments plus interest.

On June 21, 2017, the Special Master issued a report and recommended order regarding the partial payment of the Plaintiffs' counsels' attorney fees. This recommendation was based on a stipulation the State and the Plaintiffs' counsel had reached, agreeing that the State would pay counsel $400.8 thousand for claims made by individuals that could be documented. The State has paid this amount to class counsel.

The Special Master issued a second report and recommended order expanding the class on August 8, 2018. The principal findings of this recommendation were to expand the class definition to include those individuals who did not submit claims to the State for processing; to expand the class to end June 30, 2016; and to redefine the class as (a) employees, employee dependents, retirees, and retiree dependents who participate or participated in the State of Montana's health benefit plan(s), administered or operated by the State and/or the third party administrators whose claims for covered benefits took place no earlier than eight years prior to the filing of the complaint in this action, which was October 23, 2008; (b) who were injured through the legal fault of persons who have legal obligations to compensate them for all damages sustained; and (c) who have not been made whole for their damages (or for whom the State and TPAs conducted no made whole analysis) because the State and the third party administrators programmatically failed to pay benefits for their covered medical costs. On October 29, 2018, the District Court Judge issued an Order Adopting the Special Master's Report Expanding the Class.

As of June 30, 2018, the State paid Plaintiffs $1.7 million in based payments plus interest.

On April 23, 2019, the District Court Judge approved the parties' motion for a process to identify and distribute residual funds for known class members on the master list for Blue Cross Blue Shield of Montana claims. On May 2, 2019, the State issued payment of $122.0 thousand to the Hunt Law Firm for the residual funds and interest thereon.

On May 1, 2019, the parties filed the Notice to Special Master of Agreement on Notice Procedure. Pursuant to that notice, the State distributed notices to all former and current State employees enrolled in the State health plan between January 1, 2010 through June 30, 2016. Notice was distributed through email and first-class mail. The initial distribution of notices was May 23, 2019. The deadline for a claimant to return a claim to the State is November 30, 2019.

As of June 30, 2019, the State paid Plaintiffs $2.0 million, including the payment for residual funds and interest.

As of June 30, 2020, the State paid Plaintiffs $2.9 million for claim payments, interest, and attorney fees for Plaintiffs' counsel.

Since the case is ongoing, the State does not have sufficient information to determine the ultimate cost to the State.

Disability Rights Montana v. Batista (Cause # CV-15-22) is a civil rights case filed by the ACLU of Montana on behalf of Plaintiff, alleging deliberate indifference in the provision of mental health care to seriously mentally ill inmates at Montana State Prison. The District Court dismissed the case for failure to state a claim, which order was appealed by Plaintiffs to the Ninth Circuit Court of Appeals. The Ninth Circuit Court of Appeals overturned the district court's ruling and remanded the case back to the district court in front of a new judge. As a result, the Department of Corrections (Department) has participated in on-going discovery, with the aid of outside expert witnesses and the defense of the case through outside legal counsel. The parties had previously exchanged settlement proposals without success. Because of legislation enacted during the 2019 legislative session, the department implemented significant changes in the use of restrictive housing, especially as related to seriously mentally ill inmates. The Plaintiff has made several unreasonable demands that would cost the Department millions of dollars and at least $800.0 thousand in attorney's fees and undisclosed expert witness fees. At this time, the Department continues to be unable to specify an anticipated amount of financial obligation imposed either by settlement or by judgment.

Kila Shepherd v. Montana Department of Corrections (Department) (Cause # BDV-2020-302/DA 20-0376) is a Step III Grievance proceeding, in accordance with 2.21.8017, Administrative Rules of Montana (ARM), and the Department has hired outside legal counsel to represent it regarding Ms. Shepherd's termination from her position at the Department. Ms. Shepherd sought in excess of $1.0 million for punitive damages, lost wages, loss of benefits, emotional distress, and attorney's fees. A hearing on the Step III grievance before an administrative law judge (ALJ) was held in January 2019. The ALJ issued a decision in February 2020, finding in favor of the Department and

recommending denial of the grievance. The Department concurred with the decision and issued its final administrative decision denying Ms Shepherd's grievance over the termination. Ms. Shepherd then filed a lawsuit in Lewis & Clark County district court, alleging wrongful discharge. The Department filed a motion to dismiss on the grounds that the suit had been filed after the statute of limitations had run. The district court granted the motion after full briefing. Ms. Shepherd has appealed that decision to the Montana Supreme Court and the matter is now fully briefed.

Cascade County v. State of Montana, Montana and Department of Corrections (Department) (Cause # CDV-2019-1181) is a case filed by Cascade County, suing for breach of contract, unjust enrichment and breach of implied covenant of good faith and fair dealing, seeking over $766.0 thousand in unpaid jail reimbursement costs plus interest at 10.0% per annum. This case involves interpretation of contract and statutory language. This matter has been referred to the Department of Justice Agency Legal Services for representation of the Department. The likelihood of success is reasonably probable.

Vincent, Benner, and Hoch v. DPHHS (CDV-19-0314, Eighth Judicial District Court, Cascade County) was filed on May 17, 2019, by Montana Optometric Association members seeking class certification of all licensed Montana optometrists who are participating providers in Montana Medicaid. The named plaintiffs claim the department's Medicaid rate structure discriminates against them because they are paid less than physicians (doctors of medicine or doctors osteopathy) for performing the same services. They cite Section 37-10-104, MCA, as the basis of the discrimination claim. They seek declaratory relief and permanent injunctive relief in their claims of discrimination, violations of MAPA, and breach of contract and implied covenant of good faith. They request damages, interests, costs, and attorney fees, which would amount to more than $1 million.

Moody's Market, Inc. et al. v. Montana State Fund, Montana Board of Investments, and State of Montana (Cause # DV-18-12) is a case filed by a group of Montana State Fund (MSF) policyholders, in Lake County District Court. MSF Policyholders filed this in an effort to prevent the Board of Investments (BOI) from charging a 3.0% management fee on any single investor whose average portfolio balance held by BOI is greater than $1.0 billion. This fee was implemented per Senate Bill (SB) 4, passed during the 2017 Legislative Special Session. The District Court issued a decision dismissing MSF as a party and subsequently dismissed the case against the State of Montana and Board of investments. The plaintiffs appealed the District Court Decision to the Montana Supreme Court.

The Montana Supreme Court dismissed the appeal on justiciability grounds because SB4 had terminated by its own terms, thereby sustaining the District Court's decision dismissing the underlying case. While plaintiffs have indicated they may attempt to continue litigating the case, no new complaint or other pleading has been filed.

LL Liquor v. State of Montana (District of Montana, D.C. No. 6:15-cv-00071-SEH) 912 F.3d 533 is a case in which LL Liquor sued the Department of Revenue (Department) for breach of contract for changes to the Montana agency liquor stores' commission rates. The Ninth Circuit Court held that the Department breached the agency liquor store franchise agreement. On remand for damages, the Federal District Court confirmed a settlement of $5.0 million. The Ninth Circuit Court recently held that the Department must pay 10.0% interest on the settlement amount, in accordance with section 18-1-404, MCA. That additional amount, currently at $586.3 thousand, continues to accrue. The resulting amount of $5.6 million is a set financial loss. The Department is asking the Legislature for a supplemental under House Bill No. 3 for the amount. However, the Department has since asked the Federal District Court to reconsider and that petition has not been ruled on.

The Public Employee Retirement Board (PERB) has four items of outstanding litigation in relation to the Sheriffs' Retirement System (SRS) and the Montana Public Employee's Retirement Administration (MPERA). Refer to Note 6, section I, for additional disclosure in relation to this legal proceeding.

The Montana State Fund, a discretely presented component unit of the State, has two items of litigation, in addition to the case listed above, in relation to their operations and underlying statutory authority governing the program. Refer to Note 18, section O, for additional disclosure in relation to these legal proceedings.

Federal Contingencies

Federal Grants - The State receives significant financial assistance from the Federal government in the form of grants and entitlements, including several non-cash programs (which are not included in the basic financial

statements). Receipt of grants is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal regulations, including the expenditure of resources for eligible purposes. Substantially all grants are subject to either the Federal Single Audit Act or financial and compliance audits by the granter agencies of the Federal government or their designees. Disallowances and sanctions as a result of these audits may become liabilities of the State. The State is currently involved in administrative and legal proceedings, with certain federal agencies, contesting various disallowances and sanctions related to federal assistance programs ranging from $1.8 million to $5.0 million at June 30, 2020. The State's management believes ultimate disallowances and sanctions, if any, will not have a material effect on the basic financial statements.

Food Distribution Program – The amount reported for Food Distribution programs (CFDA #10.555, #10.565, #10.567, #10.569, and #93.053) represents the dollar value of food commodities distributed to eligible recipients during the year. The U.S. Department of Agriculture provides the current value of the commodities used by the State to compute the amount reported. The amount of funds received to administer the program is also included in the reported amount. The State also distributes food commodities to other states in the western region of the United States, the value of which is excluded from the reported amounts. During fiscal year 2020, the State distributed $1.2 million of food commodities under CFDA #10.567 to other states.

The State distributed $12.2 million in commodities in fiscal year 2020. The value at June 30, 2020, of commodities stored at the State's warehouse, is $4.7 million, for which the State is liable in the event of loss. The State has insurance to cover this liability.

Miscellaneous Contingencies

Loan Enhancements – As of June 30, 2020, the Board of Investments (BOI) had provided loan guarantees from the Coal Severance Tax Permanent Fund to the Municipal Finance Programs and the Facility Finance Authority (a component unit of the State of Montana), totaling $179.0 million. The BOI's exposure to bond issues of the Municipal Finance Programs was $90.7 million, while exposure to bond issues, surety bonds, and designated loans of the Facility Finance Authority were $88.3 million. The BOI has not been held responsible for any loan guarantee in the past.

Gain Contingencies – Certain natural resource and corporate tax assessments are not reported on the State's financial statements because they are being protested administratively. As of June 30, 2020, the following assessments (by fund type) were outstanding (in thousands):

Taxes	General Fund
Corporate Tax	$ 6,693

The collectability of these contingencies is dependent upon the decisions of the court, other authorities, or agreed upon settlements. The corporate tax assessments include material estimates that could result in a significant reduction of the tax assessed once actual numbers are provided. Interest related to corporate tax assessments is distributed to the General Fund and is included in the assessment total above.

Loss Contingencies – Certain corporations have requested refunds that are not reported on the State's financial statements as of June 30, 2020. The corporations have appealed the Department of Revenue's decision to deny or adjust the refund. As of June 30, 2020, these include $11.2 million of General Fund corporate tax refunds. It is estimated that most of these corporation tax refunds would consist primarily of tax and could be significantly reduced or eliminated due to audits and appeals currently in process.

Certain companies have protested property taxes that have been included as revenue on the State's financial statements as of June 30, 2020. As of June 30, 2020, these include $16.3 thousand of protested property taxes recorded in the General Fund and $18.4 thousand recorded in the State Special Revenue Fund.

NOTE 17. SUBSEQUENT EVENTS

Investment Related Issues

Since June 30, 2020, the Board of Investments (BOI) made additional commitments to fund loans from the INTERCAP loan program in the amount of $8.1 million.

Since June 30, 2020, BOI has committed $228.5 million within the Real Estate Pension Asset Class of Consolidated Asset Pension Pool (CAPP).

Since June 30, 2020, BOI has committed and funded another $1.5 million to Montana lenders from the Coal Severance Tax Permanent Fund's In-State Loan Program and committed, but not yet funded, an additional $1.8 million. On top of these commitments, lenders have also reserved $6.5 million in new loans. Of the reservations in effect as of June 30, 2020, $7.0 million have expired. Additional reservations in the amount of $2.4 million were made for the Veteran's Home Loan Mortgage Program residential mortgage purchases.

In August 2020, BOI approved an additional loan guarantee from the Coal Severance Tax Permanent Fund to Facility Finance Authority totaling $20.0 million.

Other Subsequent Events

In August 2020, Department of Natural Resources & Conservation (DNRC) received $10.1 million from Department of Fish, Wildlife & Parks in payment for the permanent recreation easement at Big Arm State Park.

On August 26, 2020, the Board of Examiners authorized a $1.5 million Non-Point Source Renewable Resource 2020F bond, which was issued on October 15, 2020.

On September 11, 2020, DNRC issued Series 2020E bonds, in the amount of $2.8 million, for the St. Mary's Project.

On September 29, 2020, the Department of Administration issued a total of $50.9 million in three new general obligation bond series. Bond Series 2020G, authorized by 2019 HB652, was issued at par value of $32.5 million. Bond Series 2020H, for the Long-Range Building Montana Historical Society project, was issued at par value of $5.9 million. Bond Series 2020I was issued at $12.5 million for the refunding of outstanding Potomac Trust Lands general obligation bond Series 2010F.

On October 20, 2020, DNRC issued Series 2020J bonds for the Water Pollution Control State Revolving Fund, in the amount of $24.9 million. The bond proceeds will be used to refund the outstanding balance of Series 2015C bonds of $19.3 million and the remaining will be used for new loans within the program.

On November 16, 2020, the Department of Justice reached a settlement of $49.0 million to be recovered from tobacco companies as a result of wrongly withheld taxes from a 1998 settlement.

On November 16, 2020, The Board of Examiners authorized the following:

- $1.0 million Series 2020K general obligation bonds, which were issued on December 3, 2020,
- $14.0 million Coal Severance Tax Series 2020L bonds, whose proceeds will be used to refund the outstanding balance on existing Coal Severance Tax bonds, which were issued on December 23, 2020,
- $1.7 million Coal Severance Tax Series 2020M bonds, which were issued on December 23, 2020, and
- $8.0 million general obligation bond anticipated note, $4.0 million for the Water Pollution Control and $4.0 million for the Drinking Water State Revolving Fund Programs, neither of which have been issued.

On December 23, 2020, DNRC issued taxable Series 2020N general obligation bond anticipation note for the Drinking Water State Revolving Fund Program, in the amount of $3.2 million.

Though nearly $100.0 million was spent during fiscal year 2020, the total amount of the Coronavirus Aid, Relief, and Economic Security (CARES) Act funding granted to Montana by the federal government, $1.25 billion, is expected to be expended during fiscal year 2021 for COVID-19 related grants and expenditures incurred. The allocation of these funds is estimated to be distributed, most notably, as follows:

- 22% through the Business Stabilization, Adaptability, and Innovation programs,

- 22% through local government and state agency reimbursements,
- 20% through additional Unemployment Insurance benefits,
- 7% through public and private school programs,
- 6% through working capital loans and loan deferments,
- 5% through child care programs, and
- 4% through social services grants to nonprofits.

NOTE 18. COMPONENT UNITS

A. Condensed Financial Statements

Below are the condensed financial statements of the component units for the State of Montana as of June 30, 2020 (in thousands):

Condensed Statement of Net Position

	Component Units					
	Montana Board of Housing	Facility Finance Authority	Montana State Fund (1)	Montana State University	University of Montana	Total Component Units
Assets:						
Cash, investments and other assets	$ 706,291	$ 8,564	$ 1,690,107	$ 661,740	$ 610,922	$ 3,677,624
Due from primary government	—	—	—	277	1,048	1,325
Due from component units	—	—	—	—	176	176
Capital assets (net) (Note 18C)	17	1	38,190	561,777	390,663	990,648
Total assets	706,308	8,565	1,728,297	1,223,794	1,002,809	4,669,773
Deferred Outflows of Resources	555	58	3,317	43,611	30,020	77,561
Liabilities:						
Accounts payable and other liabilities	11,873	22	108,644	77,448	72,638	270,625
Due to primary government	—	—	—	2,025	60	2,085
Due to component units	—	—	—	176	—	176
Advances from primary government (2) (3)	—	—	—	16,993	2,991	19,984
Long-term liabilities (Note 18I)	534,714	271	1,041,217	349,542	293,856	2,219,600
Total liabilities	546,587	293	1,149,861	446,184	369,545	2,512,470
Deferred Inflows of Resources	362	45	3,661	22,512	29,642	56,222
Net Position:						
Net investment in capital assets	3	1	38,190	365,329	279,070	682,593
Restricted	159,911	—	—	343,094	335,639	838,644
Unrestricted	—	8,284	539,902	90,286	18,933	657,405
Total net position	$ 159,914	$ 8,285	$ 578,092	$ 798,709	$ 633,642	$ 2,178,642

(1) Montana State Fund reports their financial statements on a calendar-year basis. The information provided is for the year ended December 31, 2019.

(2) Loans from the Coal Severance Tax Permanent Fund make up $4.5 million and $3.0 million of these balances for Montana State University and University of Montana, respectively.

(3) Loans from the Board of Investment's INTERCAP and the Department of Environmental Quality's energy conversation loan programs make up $9.9 million and $2.6 million, respectively, of the balance for Montana State University.

Condensed Statement of Activities

Component Units

	Montana Board of Housing	Facility Finance Authority	Montana State Fund [1]	Montana State University	University of Montana	Total Component Units
Expenses	$ 24,455	$ 705	$ 201,034	$ 630,487	$ 452,417	$ 1,309,098
Program Revenues:						
Charges for services	1,742	741	156,871	287,201	169,686	616,241
Operating grants and contributions	25,151	155	—	213,150	126,758	365,214
Capital grants and contributions	—	—	—	5,972	1,875	7,847
Total program revenues	26,893	896	156,871	506,323	298,319	989,302
Net (expense) program revenues	2,438	191	(44,163)	(124,164)	(154,098)	(319,796)
General Revenues:						
Unrestricted investment earnings	—	—	136,145	3,397	3,559	143,101
Transfer from primary government [2]	—	—	—	140,660	104,003	244,663
Gain (loss) on sale of capital assets	—	—	(88)	244	—	156
Miscellaneous	—	—	1,036	—	—	1,036
Contributions to term and permanent endowments	—	—	—	14	37,043	37,057
Total general revenues and contributions	—	—	137,093	144,315	144,605	426,013
Change in net position	2,438	191	92,930	20,151	(9,493)	106,217
Total net position – July 1 – as previously reported	157,476	8,043	483,186	779,022	643,135	2,070,862
Adjustments to beginning net position	—	51	1,976	(464)	—	1,563
Total net position – July 1 – as restated	157,476	8,094	485,162	778,558	643,135	2,072,425
Total net position – June 30	$ 159,914	$ 8,285	$ 578,092	$ 798,709	$ 633,642	$ 2,178,642

(1) Montana State Fund reports their financial statements on a calendar-year basis. The information provided is for the year ended December 31, 2019.

(2) Transfers to both Montana State University and the University of Montana are appropriated by the State legislature to assist with higher education related costs.

B. Cash/Cash Equivalents and Investments

Due to the integration of funds and combined financial information, component unit cash and cash equivalents, equity in pooled investments, and investments are included with the primary government in Note 3. For more detail on investments held outside of the Montana Board of Investments, refer to the entity's respective separately issued financial statements.

C. Capital Assets

The following table summarizes net capital assets reported by the discretely presented component units (in thousands). All component units, other than higher education units, are included under the "Other" caption for this schedule:

	Montana State University	University of Montana	Other	Total
Capital assets not being depreciated:				
Land	$ 8,202	$ 8,306	$ 1,140	$ 17,648
Construction work in progress	72,292	10,420	12,130	94,842
Capitalized collections	9,910	28,098	—	38,008
Livestock for educational purposes	4,198	—	—	4,198
Total capital assets not being depreciated	94,602	46,824	13,270	154,696
Capital assets being depreciated:				
Infrastructure	44,994	9,904	—	54,898
Land improvements	31,700	16,408	—	48,108
Buildings/Improvements	749,697	660,181	27,941	1,437,819
Equipment	167,970	104,266	7,507	279,743
Livestock	—	255	—	255
Library books	67,680	62,583	—	130,263
Leasehold improvements	8,784	—	—	8,784
Total capital assets being depreciated	1,070,825	853,597	35,448	1,959,870
Total accumulated depreciation	(621,188)	(513,996)	(10,645)	(1,145,829)
Total capital assets being depreciated, net	449,637	339,601	24,803	814,041
Intangible assets	1,205	1,783	135	3,123
MSU Component Unit capital assets, net	16,333	—	—	16,333
UM Component Unit capital assets, net	—	2,455	—	2,455
Discretely Presented Component Units capital assets, net	$ 561,777	$ 390,663	$ 38,208	$ 990,648

D. Other Postemployment Benefits (OPEB)

Non-university component units are included in the State of Montana benefit plan, whereas the Office of the Commissioner of Higher Education (included in the primary government otherwise) is included in the Montana University System benefit plan. For these reasons, component unit OPEB information is included in Note 7.

E. Risk Management

Montana State Fund (MSF or New Fund) is the only component unit risk pool. Unpaid claims and claim adjustment expenses are estimated based on the ultimate cost of settling the claims, including the effects of inflation and other societal/economic factors. There are no significant reductions in insurance coverage from the prior year, nor any insurance settlements exceeding insurance coverage for the last three years for MSF. This fund uses the accrual basis of accounting. Montana State Fund investments are recorded at fair value, and the premiums and discounts are amortized using the scientific interest method over the life of the securities.

(1) Montana State Fund (MSF) – This fund provides liability coverage to employers for injured employees who are insured under the Workers Compensation and Occupational Disease Acts of Montana and workers compensation claims occurring on or after July 1, 1990. MSF is a self-supporting, competitive State fund, and functions as the guaranteed market. At December 31, 2019, approximately 23,300 employers were insured with MSF. Anticipated

investment income is considered for computing a premium deficiency, and employers must pay premiums to MSF within specified time frames.

An actuarial study prepared by Willis Towers Watson, as of December 31, 2019, estimated the cost of settling claims that have been reported but not settled and claims that have been incurred but not reported. Due to the fact that actual claim costs depend on complex factors such as inflation and changes in the law, claim liabilities are recomputed periodically using a variety of actuarial and statistical techniques. These techniques are used to produce current estimates that reflect recent settlements, claim frequency, and other economic and societal factors.

A provision for inflation is implicit in the calculation of estimated future claim costs because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. As of December 31, 2019, $956.6 million of unpaid claims and claim adjustment expenses were presented at face value.

Section 39-71-2311, MCA, requires MSF to set premiums, at least annually, at a level sufficient to ensure adequate funding of the insurance program during the period the rates will be in effect. It also requires MSF to establish a minimum surplus above risk-based capital requirements to support MSF against risks inherent in the business of insurance.

For the year ended December 31, 2019, MSF ceded premiums to other reinsurance companies to limit the exposure arising from large losses. These arrangements consist of excess of loss contracts that protect against individual occurrences over stipulated amounts, and an aggregate stop-loss contract which protects MSF against the potential that aggregate losses will exceed expected levels expressed as a percentage of premium. The excess of loss contract provides coverage for occurrences up to $100.0 million; however, MSF retains the first $5.0 million of coverage. The excess of loss protection applies to an individual occurrence with a maximum of $5.0 million on any one life.

The term of the current aggregate stop-loss contract is January 1, 2017 through January 1, 2020. The contract provides coverage based on MSF’s premium levels not to exceed 15.0% of the subject net earned premium. In the event reinsurers are unable to meet their obligations, under either the excess of loss contracts or the aggregate stop-loss contract, MSF would remain liable for all losses, as the reinsurance agreements do not discharge MSF from its primary liability to the policyholders.

Premium revenue was reduced by premiums paid for reinsurance coverage of $9.6 million during the year ended December 31, 2019.

Estimated claim reserves were reduced by $387.0 thousand as of December 31, 2019, for the amount of reinsurance estimated to be ultimately recoverable on incurred losses due to the excess of loss reinsurance contract. There were no estimated recoverables due to the aggregate stop-loss contract.

(2) Changes in Claims Liabilities for the Past Two Years – As indicated above, this fund establishes liabilities for both reported and unreported insured events, including estimates of future payments of losses and related claim adjustment expenses. The following table presents changes (in thousands) in the aggregate liabilities for Montana State Fund net of estimated reinsurance recoverable. The information presented is at face value and has not been discounted.

	Year Ended December 31, 2019	Year Ended December 31, 2018
Unpaid claims and claim adjustments expenses at beginning of year	$ 941,638	$ 919,690
Incurred claims and claim adjustment expenses:		
Provision for insured event of the current year	129,455	137,066
Increase (decrease) in provision for insured events of prior years	(9,466)	(15,141)
Total incurred claims and claim adjustment expenses	119,989	121,925
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current year	(24,965)	(22,903)
Claims and claim adjustment expenses attributable to insured events of prior years	(80,068)	(77,074)
Total payments	(105,033)	(99,977)
Total unpaid claims and claim adjustment expenses at end of year	$ 956,594	$ 941,638

F. Capital Leases/Installment Purchases

Obligations under capital leases/installment purchases at June 30, 2020, were as follows (in thousands):

Fiscal Year Ending June 30:	Discretely Presented Component Units
2021	$ 185
2022	127
2023	84
2024	43
2025	22
Thereafter	4
Total minimum payments	465
Less: interest	(39)
Present value of minimum payments	$ 426

G. Operating Leases

Future rental payments under operating leases at June 30, 2020, are as follows (in thousands):

Fiscal Year Ending June 30:	Discretely Presented Component Units
2021	$ 5,238
2022	4,297
2023	3,978
2024	3,165
2025	3,922
Thereafter	15,806
Total future rental payments	$ 36,406

H. Debt Service Requirements

Debt service requirements of discretely presented component units at June 30, 2020, were as follows (in thousands):

	Montana Board of Housing		Montana State University		Montana State University Direct Placement		University of Montana	
Ended June 30:	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	18,735	17,380	10,530	7,330	421	454	2,415	5,562
2022	19,385	16,923	10,598	6,955	433	442	3,010	5,467
2023	19,850	16,440	6,275	6,621	446	429	3,130	5,348
2024	20,315	15,904	6,580	6,340	459	416	3,255	5,224
2025	20,495	15,334	31,360	6,039	2,505	402	3,380	5,096
2026 - 2030	113,935	66,277	30,635	25,025	2,896	1,794	19,285	23,101
2031 - 2035	112,590	46,826	25,700	17,684	3,347	1,392	24,090	18,287
2036 - 2040	91,223	28,245	26,975	10,603	3,869	927	28,440	13,958
2041 - 2045	71,495	12,814	10,940	4,487	1,274	390	33,310	9,066
2046 - 2050	33,215	2,891	—	454	—	6	39,140	3,237
2051 - 2055	220	4	—	—	—	—	—	—
Total	$ 521,458	$ 239,038	$ 159,593	$ 91,538	$ 15,650	$ 6,652	$ 159,455	$ 94,346

I. Summary of Changes in Long-term Liabilities Payable

Long-term liability activity of discretely presented component units for the year ended June 30, 2020, was as follows (in thousands):

	Beginning Balance [(2)]	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due In More Than One Year
Discretely presented component units						
Bonds/notes payable						
Montana Board of Housing	493,225	112,309	74,252	531,282	18,735	512,547
Montana State University (MSU)	178,345	576	11,566	167,355	10,530	156,825
MSU Direct Placement	16,058	—	409	15,649	421	15,228
University of Montana (UM)	87,636	169,463	88,864	168,235	2,415	165,820
Total bonds/notes payable [(1)]	775,264	282,348	175,091	882,521	32,101	850,420
Other liabilities						
Lease/installment purchase payable	496	35	105	426	162	264
Compensated absences payable	65,191	31,431	26,982	69,640	33,102	36,538
Arbitrage rebate tax payable	1,124	390	393	1,121	559	562
Estimated insurance claims	941,638	139,078	124,122	956,594	106,402	850,192
Due to federal government	32,536	112	5,391	27,257	—	27,257
Derivative instrument liability	4,227	1,272	—	5,499	—	5,499
Reinsurance funds withheld	48,386	8,368	—	56,754	—	56,754
Unearned compensation	391	—	—	391	—	391
Net pension liability	193,190	17,977	24,772	186,395	—	186,395
Total OPEB liability	39,694	9,604	21,838	27,460	—	27,460
Total other liabilities	1,326,873	208,267	203,603	1,331,537	140,225	1,191,312
	2,102,137	490,615	378,694	2,214,058	172,326	2,041,732
Long-term liabilities of Montana University System component units [(3)]					1,270	4,272
Total discretely presented component units' long-term liabilities					$ 173,596	$ 2,046,004

(1) When applicable, this amount includes unamortized discounts and unamortized premiums.
(2) Beginning balances are taken from component unit financial statements, which may have been adjusted from the prior year's ending balances.
(3) Inter-entity transaction eliminations between Montana University System component units for debt shown in the component unit information can cause negative balances in component unit information.

J. Refunded and Early Retired Debt

Refunded Debt

On June 16, 2020, Montana Board of Housing (MBOH) issued Single Family Mortgage Bond Series A-1 in the amount of $39.1 million to refund 2009 Series E bond and Series A-2 in the amount of $3.3 million to refund 2011 Series A bond.

Defeased Debt Outstanding

The University of Montana has defeased certain bond issues by placing the proceeds of new bonds in an irrevocable trust. The proceeds, together with interest earned thereon, will be sufficient for future debt service payments on the refunded issues. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the University's consolidated financial statements.The debt service cash flows for the refunding portion are less than that for the advance refunded debt by $8.8 million. The economic gain from the advanced refunding was $7.4 million. As of June 30, 2020, $139.5 million of bonds outstanding were considered defeased.

K. No-Commitment Debt

Information is presented below for financing authorities participating in debt issues. The State has no obligation for this debt. Accordingly, these bonds and notes are not reflected in the accompanying financial statements.

Facility Finance Authority (FFA)
FFA is authorized to issue bonds and notes to finance projects for qualifying health care and other community-based service providers. The revenue bonds are payable solely from loan repayments to be made by eligible facilities pursuant to loan agreements, and further, from the funds created by the indentures and investment earnings thereon. The notes are payable solely from loan repayments pursuant to loan agreements. The revenue bonds and notes payable issued by FFA do not constitute a debt, liability, obligation, or pledge of faith and credit of the State of Montana, with the exception of the Montana State Hospital Project included in Note 11. At June 30, 2020, revenue bonds and notes outstanding aggregated $1.1 billion.

The Board of Investments and FFA have entered into a capital reserve account agreement for certain bond issues. See Note 16 for more information.

Montana Board of Housing (MBOH)
MBOH is authorized to issue bonds and make mortgage loans in order to finance affordable housing for Montana residents. The bonds are special limited obligations, payable solely from pledged revenues and assets of the borrower, not general obligations of MBOH. These bonds issued by MBOH do not constitute a debt, liability, obligation, or pledge of faith and credit of the State of Montana. At June 30, 2020, bonds outstanding aggregated $81.3 million.

L. Non-Exchange Financial Guarantee

BOI provides loan guarantees from the Coal Severance Tax Fund to the Facility Finance Authority (FFA). BOI exposure to bond issues, surety bonds, and designated loans of the FFA totaled $88.3 million as of June 30, 2020. FFA is a discretely presented component unit of the State of Montana. FFA guarantee requests are submitted to BOI for review and approval. BOI's participation, either duration or any other consideration, to either purchase bonds or loans or to lend money for deposit into FFA's statutorily allowed capital reserve account is explicitly limited by statute, which requires BOI to act prudently. The guarantee requests from FFA pertain to bonds issued by FFA with a term of up to 40 years. BOI and FFA have entered into an agreement detailing repayment to BOI. BOI has not had to perform on any loan guarantee in the past.

The following schedule summarizes the activity related to the non-exchange financial guarantee during the year ended June 30, 2020 (in thousands):

Beginning Balance	Additions	Reductions	Ending Balance
$ 88,941	$ 4,000	$ 4,595	$ 88,346

M. Derivative Transactions Related to Long-term Debt

Montana State University (MSU) has two interest rate swaps as of June 30, 2020. Interest rate swaps are classified as hedging derivative instruments if the instruments meet the criteria of paragraphs 27 (a) and (b) of GASB Statement No. 53 – *Accounting and Financial Reporting for Derivative Instruments* (GASB 53), or as investment derivative instruments if they do not.

Derivative Description	Trade Date	Effective Date	Termination Date	Terms	Counterparty
$25.75 million fixed payer swap	3/10/2005	7/21/2005	11/15/2035	Pay 3.953%, Receive SIFMA	Deutsche Bank AG
$25.25 million basis swap	12/19/2006	11/15/2007	11/15/2035	Pay SIFMA, Receive 86.8% of 10-year SIFMA	Morgan Stanley Capital

As of June 30, 2020, the fixed payer swap is classified as a hedging derivative instrument under GASB 53, whereas the basis swap is an investment derivative instrument because there is no identified financial risk being hedged by

the basis swap that can be expressed in terms of exposure to adverse changes in cash flows or fair values. GASB 53 includes four methods for evaluating hedge effectiveness; a governmental entity may use any of the evaluation methods outlined in GASB 53 and is not limited to using the same method from period to period. The four methods described in GASB 53 are: consistent critical terms, synthetic instrument, dollar-offset, and regression analysis. In addition, GASB 53 permits a governmental entity to use other quantitative methods that are based on "established principles of financial economic theory." The fixed payer swap passes the established criteria using the regression analysis methodology.

The fair values of the interest rate swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps. To measure non-performance risk for a derivative liability, credit spreads implied by the credit rating for debt issues by entities with similar credit characteristics were used. This is the best method available under current market conditions since MSU has no credit default swaps that actively trade in the marketplace. For a derivative asset, the adjustment for non-performance risk of counterparties was determined by analyzing counterparty-specific credit default swaps, if available. If not available, credit default swaps in the market for entities of similar type and rating were used, along with information found in various public and private information services. This analysis is used to construct a credit curve that is applied to the discount curve on the net settlement payments of the derivative.

The counterparty to the fixed payer swap had the right to terminate the swap at $0 on December 14, 2016 (a European option); this option was not exercised. As of the trade date, the option's value included intrinsic value and time value. The option's intrinsic value (calculated as the difference between the at-market rate of 4.11% and the off-market rate of 3.953%) is accounted for as a loan receivable and is repaid by the off-market portion of each swap payment. On September 10, 2010, the Series J bonds were converted to index bonds. On September 4, 2018, the original Series J bonds were refunded in full with proceeds from the Series F 2018 bonds, which were issued in a "SIFMA Index Rate" mode. While in the SIFMA Index Rate, and through the Index Interest Rate Period, which spans from September 4, 2018 through and including September 1, 2023, the interest rate is reset weekly at a rate of the SIFMA rate plus a fixed spread. The spread is based on the long-term, unenhanced rating assigned to MSU with the current spread as of June 30, 2020, was 0.45%. The dependent variable in the regression is the interest rates of the hedged cash flows; the independent variable is the floating rates due under the hedging derivative.

The fair value of the fixed payer swap liability as of June 30, 2020 is at fair value level 2 and was based on forward SIFMA rates using the three-month Libor Zero Curve, and the BMA Swaption Volatility on the AA Rated Muni Revenue Curve. The fair value of the nonhedging derivative investment is also at level 2 and was based on forward SIFMA rates using the 10-year forward BMA constant maturity swap, the three-month Libor Zero Curve, and the BMA Swaption Volatility on the counterparty's credit default swap.

The following table summarizes the reported balances as of, and the derivative instrument activity during, the year ended June 30, 2020 (in thousands):

		Activity During 2020		Fair Values at June 30, 2020	
Cash flow hedges:	**Notional**	**Classification**	**Amount**	**Classification**	**Amount**
Cash flow hedge –					
Pay fixed interest rate swap	18,225	Interest expense	18	Loan receivable	194
		Investment income	—	Derivative liability	5,499
		Deferred outflow	1,272		
Investment derivative –					
Basis swap	18,225	Investment loss	273	Investment (excluding interest accrued)	(18)

The objective and terms of MSU's hedging derivative outstanding as of June 30, 2020, is as follows (in thousands):

Type	Objective	Notional amount	Effective Date	Termination Date	Cash (Paid)/ Received	Terms
Pay fixed, cancelable interest rate swap	Hedge interest rate risk on Series F 2018 Bonds	$ 18,255	7/21/2005	11/15/2035	$ —	Pay 3.953% Receive SIFMA

Credit Risk
It is MSU's policy to enter into derivative agreements with highly rated counterparties. As of June 30, 2020, counterparty ratings were A3 by Moody's and BBB+ by Standard and Poor's (S&P). MSU manages credit risk by requiring its counterparties to post collateral in certain events. MSU is entitled to collateral from its fixed payer swap counterparty if the interest rate swap's fair value is greater than $5.0 million, and the counterparty is rated A+ or A by S&P, or A1 or A2 by Moody's. If the counterparty to the fixed payer swap is rated A- or below, by S&P, or A3 or below by Moody's, MSU is entitled to collateral up to 100% of the swap's fair value. MSU is not required to post collateral. MSU will continue to monitor counterparty credit risk.

MSU enters into derivative agreements with multiple counterparties to limit the concentration of credit risk. Currently, MSU has interest rate swaps with two different counterparties, and each counterparty accounts for approximately 50% of outstanding notional. MSU monitors counterparty credit risk on an ongoing basis.

Interest Rate Risk
Interest payments on variable rate debt will typically increase as interest rates increase. MSU believes it has significantly reduced interest rate risk by entering into a pay-fixed, receive floating interest rate swap. As interest rates increase, net swap payments decrease so that changes in hedged variable-rate debt interest payments, attributable to SIFMA, are largely offset by the net swap payments.

Basis Risk
The variable-rate cash flows being hedged by the pay-fixed swap will increase or decrease as SIFMA rates increase or decrease. Because the hedged cash flows are SIFMA based and the floating receipts of the pay-fixed swap are SIFMA based, there is no basis risk.

Termination Risk
MSU or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. In addition, MSU's fixed payer swap counterparty has the right to terminate the derivative if the credit rating of MSU's unenhanced long-term revenue bond rating is withdrawn, suspended, or reduced below BBB-, in the case of S&P, or below Baa3 in the case of Moody's. If such an event occurs, MSU could be forced to terminate the fixed payer swap in a liability position. As of June 30, 2020, MSU's unenhanced long-term revenue bond rating was Aa3 by Moody's and A+ by S&P.

Foreign Currency Risk
All hedging derivatives are denominated in US Dollars, and therefore MSU is not exposed to foreign currency risk.

Market Access Risk
Market access risk is the risk that MSU will not be able to enter credit markets or that credit will become more costly. For example, to complete a derivative instrument's objective, an issuance of refunding bonds may be planned in the future. If at that time MSU is unable to enter credit market, expected cost savings may not be realized.

N. Related Party Transactions

Private nonprofit organizations with relations to the University of Montana (UM) include the Alumni Association, the Montana Technology Enterprise Center (MonTEC), the Montana Tech Booster Club, and the Montana Tech Alumni Association. The associations and booster club operate exclusively to encourage, promote, and support educational programs, research, scholarly pursuits, and athletics at, or in connection with UM. For the year ended June 30, 2020, $300.8 thousand was transferred from or expended by the Montana Tech Booster Club for scholarships and construction projects. In exchange, UM provides the associations and booster club with office space, staff, and some related office expenses. MonTEC was established as a nonprofit 501(c)3 corporation in fiscal year 2001 as a result of an agreement between UM and the Missoula Area Economic Development Foundation (MAEDF). MonTEC provides low-cost lease space and business consulting to local "start-up" companies. The corporation's board of directors is comprised of four members. Two members of the board of directors are UM employees, and two are non-UM employees. UM does not provide office space or other services to MonTEC.

Private nonprofit organizations affiliated with Montana State University (MSU) include the MSU-Bozeman Bookstore, Friends of KUSM, and Friends of KEMC. Friends of Montana Public Television provided $1.9 million during 2020, and Friends of KEMC Public Radio provided $1.2 million during 2020 in support of MSU's television and radio stations.

O. Litigation Contingencies

Susan Hensley v. Montana State Fund involves a constitutional challenge to one of the revisions to the Workers' Compensation Act passed in 2011. At issue is the constitutionality of the changes to section 39-71-703 (2), MCA, which state that a Class I impairment is not payable unless that occurred on or after that date. The Workers' Compensation Court issued its decision on August 22, 2019, upholding the statute and granting the State Fund's motion for summary judgment. The petitioner's attorney filed a notice of appeal on September 12, 2019, and the matter is currently before the Montana Supreme Court. Should the statute be held unconstitutional and apply to other claims retroactively, the potential liability is estimated to be at least $2.2 million per year, based on the National Council on Compensation Insurance initial pricing, and current estimated business volumes. However, based on experience, costs may be substantially higher than the estimate of $2.2 million per year.

Steven Hanson v. Montana State Fund is a companion case to Susan Hensley v. Montana State Fund and has been held in abeyance pending a decision in Hensley.

P. Subsequent Events

On July 1, 2020, two Montana Board of Housing (MBOH) Multifamily Housing Revenue private placement conduit bonds were issued. The Butte Affordable Owner 1 Project, Series 2020 was issued in the amount of $13.2 million. The Butte Affordable Owner 11 Project, Series 2020 was issued in the amount of $29.3 million.

On August 3, 2020, a Master Loan Program Bond of $13.5 million was made from the Facilities Finance Authority (FFA) to Powell County Medical Center for the purpose of refunding its existing Series 2010A Bond.

On August 20, 2020, MBOH approved a Habit for Humanity set-aside for fiscal year 2021 of $3.0 million with an expiration date of June 30, 2021.

On September 11, 2020, Montana State Fund's board declared a dividend of $20.0 million to be distributed to approximately 22,500 employers.

In September 2020, Montana State University received authorization from the Board of Regents to expend up to $60.0 million to design and construct a comprehensive Student Wellness Center. The project will be financed with insurance proceeds of $36.0 million, revenue bonds proceeds of $22.0 million, and existing student fee balances of $2.0 million.

On October 15, 2020, the 2020 Series C Single Family Mortgage Bonds, were closed by MBOH in the amount of $30.0 million.

On October 29, 2020, a Master Loan Program Bond of $20.0 million and a Stand Alone Program Bond of $32.7 million was made from the FFA to Shodair Children's Hospital for the purpose of constructing a new children's hospital.

Q. Commitments

Montana State Fund (MSF or New Fund) is in a multi-year project to replace its legacy policy management system. The first phase to select vendors, coordinate change management processes, and develop and implement core policy management and billing transaction systems is expected to be completed by December 2020 and require total expenditures estimated at $33.4 million. The total project cost through December 31, 2019, was $23.0 million. The last phase to develop remaining enhancement features will be planned and arranged with consulting services towards the end of 2020. Costs during the application development phase will be capitalized and recorded as construction work in process until the system is deployed.

As of June 30, 2020, Montana State University (MSU) had issued purchase orders committing the expenditure of approximately $17.2 million for equipment, supplies, and services which had not yet been received.

In September 2018, the US Department of Education (Department) informed the University of Montana (UM) that it was imposing a fine of $966.6 thousand for its failure to comply with the requirements of the Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (the Clery Act) in Section 485 (f) of the Higher Education Act of 1965, 20 USC Section 1092 (f). In October 2018, UM submitted a letter to appeal the proposed fine action and requested a hearing with the Department’s Office of Hearings and Appeals. In January 2019, UM and the Department agreed to resolve the matter, and the fine amount was reduced to $395.0 thousand to be paid in installments over five years. UM subsequently paid off the remaining balance due to the Department in July 2019.

NOTE 19. MATERIAL VIOLATIONS OF FINANCE-RELATED LEGAL PROVISIONS

Constitutionality of Retirement Plan Funding

The Montana Constitution, Article VIII, Section 15, states that public retirement systems shall be funded on an actuarially sound basis. Public pension plans are considered actuarially sound if the unfunded accrued actuarial liability amortization period is within 30 years. As of June 30, 2020, the Game Warden & Peace Officers' Retirement System (GWPORS), the Highway Patrol Officers' Retirement System (HPORS), and the Public Employees' Retirement System - Defined Benefit Retirement Plan (PERS-DBRP) were not in compliance and did not amortize within 30 years. The unfunded liabilities in the other state retirement systems amortize in 30 years or less as of the fiscal year ended June 30, 2020.

BUDGETARY COMPARISON SCHEDULE
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(amounts expressed in thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES				
Licenses/permits	$ 132,987	$ 132,987	$ 132,654	$ (333)
Taxes:				
Natural resource	77,397	77,397	69,726	(7,671)
Individual income	1,410,943	1,410,943	1,421,934	10,991
Corporate income	165,893	165,893	186,680	20,787
Property	304,113	304,113	308,093	3,980
Fuel	—	—	—	—
Other	235,043	235,043	237,274	2,231
Charges for services/fines/forfeits/settlements	35,224	35,224	33,453	(1,771)
Investment earnings	—	—	20,243	20,243
Sale of documents/merchandise/property	273	273	273	—
Rentals/leases/royalties	7	7	8	1
Contributions/premiums	—	—	—	—
Grants/contracts/donations	21	21	11,315	11,294
Federal	21,475	21,475	18,889	(2,586)
Federal indirect cost recoveries	58	58	178	120
Other revenues	4,304	4,304	2,414	(1,890)
Total revenues	2,387,738	2,387,738	2,443,134	55,396
EXPENDITURES				
Current:				
General government	357,750	357,750	372,209	(14,459)
Public safety	329,888	329,888	321,661	8,227
Transportation	180	180	—	180
Health and human services	548,817	548,817	480,752	68,065
Education	879,431	879,431	1,082,324	(202,893)
Natural resources	40,683	40,683	36,263	4,420
Debt service (Note RSI-1):				
Principal retirement	—	—	208	(208)
Interest/fiscal charges	—	—	256	(256)
Capital outlay (Note RSI-1)	—	—	11,681	(11,681)
Total expenditures	2,156,749	2,156,749	2,305,354	(148,605)
Excess of revenue over (under) expenditures	230,989	230,989	137,780	(93,209)
OTHER FINANCING SOURCES (USES)				
Insurance proceeds	—	—	48	48
General capital asset sale proceeds	94	94	75	(19)
Bond premium	—	—	—	—
Bond proceeds	—	—	—	—
Energy conservation loans	—	—	—	—
Transfers in (Note 12)	81,924	81,924	86,773	4,849
Transfers out (Note 12)	(263,727)	(263,727)	(76,948)	186,779
Total other financing sources (uses)	(181,709)	(181,709)	9,948	191,657
Net change in fund balances (Budgetary basis)	49,280	49,280	147,728	98,448
RECONCILIATION OF BUDGETARY/GAAP REPORTING				
1. Securities lending income	—	—	—	—
2. Securities lending costs	—	—	—	—
3. Inception of lease/installment contract	—	—	433	433
4. Adjustments for nonbudgeted activity	—	—	—	—
(GAAP basis)	49,280	49,280	148,161	98,881
Fund balance - July 1	—	—	443,409	443,409
Prior period adjustments	—	—	1,445	1,445
Increase (decrease) in inventories	—	—	(203)	(203)
Fund balances - June 30	$ 49,280	$ 49,280	$ 592,812	$ 543,532

The notes to the required supplementary information are an integral part of this schedule.
Budgetary data is not broken down to the same account level as actual financial statement data, which accounts for some of the larger variances.
The original and final budget figures reflect adjustments to the original budget for various reasons, including legislative and executive changes.

STATE SPECIAL REVENUE FUND				FEDERAL SPECIAL REVENUE FUND			
ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
$ 287,274	$ 287,274	$ 285,630	$ (1,644)	$ —	$ —	$ —	$ —
86,867	86,867	64,110	(22,757)	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
19,829	19,829	19,912	83	—	—	—	—
262,318	262,318	260,322	(1,996)	—	—	—	—
165,620	165,620	151,174	(14,446)	2	2	1	(1)
103,656	103,656	102,677	(979)	7,366	7,366	7,357	(9)
—	—	17,032	17,032	—	—	668	668
12,002	12,002	12,425	423	2	2	—	(2)
1,640	1,640	1,189	(451)	—	—	—	—
34,086	34,086	34,659	573	—	—	—	—
8,763	8,763	7,570	(1,193)	251	251	72	(179)
7,301	7,301	6,622	(679)	4,338,570	4,338,570	3,180,500	(1,158,070)
9,397	9,397	57,466	48,069	93,625	93,625	93,287	(338)
3,841	3,841	3,403	(438)	1,794	1,794	1,289	(505)
1,002,594	1,002,594	1,024,191	21,597	4,441,610	4,441,610	3,283,174	(1,158,436)
302,517	302,517	192,416	110,101	550,622	550,622	172,137	378,485
94,199	94,199	81,630	12,569	48,249	48,249	25,892	22,357
338,505	338,505	248,617	89,888	548,322	548,322	106,199	442,123
243,890	243,890	223,455	20,435	2,495,174	2,495,174	2,181,889	313,285
57,570	57,570	75,757	(18,187)	270,161	270,161	193,684	76,477
334,025	334,025	179,930	154,095	163,662	163,662	90,770	72,892
—	—	3,600	(3,600)	—	—	103	(103)
—	—	645	(645)	—	—	11	(11)
—	—	90,035	(90,035)	—	—	460,057	(460,057)
1,370,706	1,370,706	1,096,085	274,621	4,076,190	4,076,190	3,230,742	845,448
(368,112)	(368,112)	(71,894)	296,218	365,420	365,420	52,432	(312,988)
—	—	34,366	34,366	—	—	—	—
540	540	893	353	7	7	—	(7)
—	—	4,361	4,361	—	—	—	—
(34,361)	(34,361)	28,900	63,261	—	—	—	—
—	—	632	632	—	—	—	—
243,809	243,809	156,094	(87,715)	167,246	167,246	1,485	(165,761)
(140,279)	(140,279)	(43,862)	96,417	(1,368,157)	(1,368,157)	(48,632)	1,319,525
69,709	69,709	181,384	111,675	(1,200,904)	(1,200,904)	(47,147)	1,153,757
(298,403)	(298,403)	109,490	407,893	(835,484)	(835,484)	5,285	840,769
—	—	76	76	—	—	37	37
—	—	(46)	(46)	—	—	(7)	(7)
—	—	15,289	15,289	—	—	256	256
—	—	(3,699)	(3,699)	—	—	—	—
(298,403)	(298,403)	121,110	419,513	(835,484)	(835,484)	5,571	841,055
—	—	1,713,834	1,713,834	—	—	(12,615)	(12,615)
—	—	1,378	1,378	—	—	244	244
—	—	(207)	(207)	—	—	—	—
$ (298,403)	$ (298,403)	$ 1,836,115	$ 2,134,518	$ (835,484)	$ (835,484)	$ (6,800)	$ 828,684

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

NOTE RSI – 1. BUDGETARY REPORTING

A. State Budget Process

The Montana Legislature meets in the odd-numbered years to prepare annual budgets for the next biennium. The Constitution requires that legislative appropriations not exceed available revenues. The Legislature uses revenue estimates in the budgetary process to establish appropriation levels. Expenditures may not legally exceed budget appropriations at the fund level. In addition, the State Constitution prohibits borrowing to cover deficits incurred because appropriations exceeded anticipated revenues. State law requires an appropriation for disbursements from the general, special revenue and capital projects funds, except for those special revenue funds from non-state and non-federal sources restricted by law or by the terms of an agreement. The level of budgetary control is established by fund type, except capital project funds, which are at project level. Budgets may be established in other funds for administrative purposes.

Agency budget requests are submitted to the Governor, and the Legislative Fiscal Division receives a copy. The Office of Budget and Program Planning (OBPP) and the Governor analyze the requests, establish priorities, and develop the requests into the executive budget request submitted to the Legislature. Joint appropriations subcommittee hearings are held, and an omnibus appropriation bill is reported in the House and subsequently sent to the Senate. The Legislature generally enacts one bill to establish the majority of appropriations for the next two fiscal years. OBPP establishes appropriations for each program by accounting entity (fund) within an agency. The Legislature enacts other appropriations, but only within the available revenue. Agencies must prepare and submit to the budget director operational plans showing the allocation of operating budgets by expenditure category (i.e., personal services, operating expenses, equipment, etc.). The budget director or other statutorily designated approving authority may authorize changes among expenditure categories and transfers between program appropriations.

Appropriations may not be increased by amendment in the General Fund. However, a department, institution, or agency of the executive branch desiring authorization to make expenditures from the General Fund during the first fiscal year of the biennium from appropriations for the second fiscal year of the biennium may apply for authorization from the Governor through the budget director. In the second year of the biennium, during the legislative session, the Legislature may authorize supplemental appropriations. The Governor, or designee, may approve budget amendments for non-general fund monies not available for consideration by the Legislature and for emergencies. In the accompanying financial schedule, original and final budget amounts are reported. There were no expenditures in excess of total authorized appropriations in the State's budgeted funds for the fiscal year.

Appropriations for debt service activities are continuing through statutory authority until the obligation is extinguished. Because these non-operating budgets primarily serve a management control purpose, and related appropriations are continuing in nature, no comparison between budgeted and actual amounts for funds budgeted on this basis is provided. Appropriations for capital projects funds are not made on an annual basis, but are adopted on a project-length basis. Because these non-operating budgets primarily serve a management control purpose, and related appropriations are continuing in nature, no comparison between budgeted and actual amounts for funds budgeted on this basis is provided.

Appropriations may be continued into the next fiscal year when authorized by the Legislature or the Governor's Office. After fiscal year-end, appropriations that are not continued are reverted. The reverted appropriations remain available for one fiscal year for expenditures that exceed the amount accrued or encumbered. Fund balances are not reserved for reverted appropriations. For fiscal year 2020, reverted governmental fund appropriations were as follows: $64.9 million in the General Fund, $136.5 million in the State Special Revenue Fund, and $239.9 million in the Federal Special Revenue Fund. Agencies are allowed to carry forward 30.0% of their reverted operating appropriations into the next two fiscal years. This amount can be used for new expenditures at the request of the agency and upon approval of OBPP.

B. Budget Basis

The Legislature's legal authorization ("appropriations") to incur obligations is enacted on a basis inconsistent with Generally Accepted Accounting Principles (GAAP). The budget basis differs from GAAP for encumbrances outstanding at fiscal year-end, compensated absences, capital assets and inventories purchased in proprietary funds, certain loans from governmental funds, and other miscellaneous n on-budgeted activity.

REQUIRED SUPPLEMENTARY INFORMATION

NOTE RSI – 2. PENSION PLAN INFORMATION

Required Supplementary Information
State of Montana as an Employer Entity

Judges' Retirement System
Schedule of Changes in Net Pension Liability/(Asset) and Related Ratios [1]
For the Fiscal Year Ended June 30
(dollars in thousands)

	2020	2019	2018	2017	2016	2015
Total Pension Liability (TPL)						
Service costs	$ 1,772	$ 1,664	$ 1,628	$ 1,578	$ 1,653	$ 1,594
Interest	4,458	4,503	4,044	3,986	3,934	3,824
Differences between expected and actual experience	2,743	(2,901)	862	(1,341)	(1,032)	—
Changes of assumptions	—	—	3,865	—	—	—
Refunds of contributions	—	(149)	—	—	—	—
Benefit payments	(3,846)	(3,723)	(3,554)	(3,416)	(3,041)	(3,023)
Net change in total pension liability	5,127	(606)	6,845	807	1,514	2,395
Total pension liability – beginning	60,192	60,798	53,953	53,146	51,632	49,237
Total pension liability – ending	$ 65,319	$ 60,192	$ 60,798	$ 53,953	$ 53,146	$ 51,632
Plan Fiduciary Net Position						
Contributions – employer	$ —	$ 1,085	$ 1,800	$ 1,806	$ 1,684	$ 1,651
Contributions – member	517	575	488	729	534	481
Net investment income	5,687	8,467	10,368	1,779	3,843	12,421
Refunds of contributions	—	(149)	—	—	—	—
Benefit payments	(3,846)	(3,723)	(3,554)	(3,416)	(3,041)	(3,023)
Administrative expense	(123)	(264)	(254)	(197)	(136)	(100)
Other	—	7	—	(3)	—	—
Net change in plan fiduciary net position	2,235	5,998	8,848	698	2,884	11,430
Plan fiduciary net position - beginning	102,651	96,653	87,805	87,107	84,223	72,793
Plan fiduciary net position - ending	$ 104,886	$ 102,651	$ 96,653	$ 87,805	$ 87,107	$ 84,223
Net Pension (Asset) – Beginning	$ (42,459)	$ (35,855)	$ (33,852)	$ (33,961)	$ (32,591)	$ (23,556)
Net Pension (Asset) – Ending	$ (39,567)	$ (42,459)	$ (35,855)	$ (33,852)	$ (33,961)	$ (32,591)
Plan fiduciary net position as a percentage of TPL	160.58%	170.54%	158.97%	162.74%	163.90%	163.12%
Covered payroll	$ 7,382	$ 7,291	$ 6,974	$ 6,920	$ 6,525	$ 6,355
Net pension (asset) as a percentage of covered payroll	(535.99)%	(582.35)%	(514.12)%	(489.19)%	(521.00)%	(513.00)%

[1] *Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.*

Schedule of Employer Contributions [1]
For the Fiscal Year Ended June 30
(in thousands)

	2020	2019	2018	2017	2016	2015
Contractually required contributions	$ 1,988	$ —	$ 1,085	$ 1,800	$ 1,786	$ 1,684
Contributions made in relation to the contractually required contributions	1,988	—	1,085	1,800	1,786	1,684
Contribution deficiency/(excess)	$ —	$ —	$ —	$ —	$ —	$ —
Covered payroll	$ 8,001	$ 7,382	$ 7,291	$ 6,974	$ 6,920	$ 6,525
Contributions as a percentage of covered payroll	24.85%	0.00%	14.88%	25.81%	26.00%	26.00%

[1] *Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.*

Judges' Retirement System
Notes to Required Supplementary Information
For the Year Ended June 30, 2020

Method and assumptions used in calculations of contractually determined contributions: The contractually required contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2019, determined as of June 30, 2019.

The following key methods and assumptions were used to determine the contractual contribution rates reported in that schedule:

Actuarial cost method	Entry age Normal
Amortization method	Level percentage of pay, open
Asset valuation method	4-year smoothed market
Wage inflation	3.50%, including inflation
Salary increases	0%
Inflation	2.75%
Investment rate of return	7.65%, net of pension plan investment expense, including inflation
Mortality (healthy)	RP-2000 Combined employee and annuitant mortality table projected to 2020 using scale BB, males set back 1 year
Mortality (disabled)	RP-2000 Combined employee and annuitant mortality table
Admin expense as a % of payroll	0.17%

Changes of assumptions: No changes in assumptions or other inputs that affected the measurement date have been made since the prior measurement date.

Required Supplementary Information
State of Montana as an Employer Entity

Highway Patrol Officers' Retirement System
Schedule of Changes in Net Pension Liability and Related Ratios [1]
For the Fiscal Year Ended June 30

(dollars in thousands)

	2020	2019	2018	2017	2016	2015
Total Pension Liability (TPL)						
Service costs	$ 3,453	$ 3,643	$ 3,665	$ 3,799	$ 3,598	$ 3,464
Interest	16,926	16,294	15,121	14,545	14,113	13,518
Changes in benefits	—	—	—	—	1,856	—
Difference between expected and actual experience	2,413	590	2,774	18	267	—
Changes of assumptions	—	—	7,892	—	—	—
Benefit payments	(12,063)	(11,546)	(11,037)	(10,482)	(10,001)	(9,443)
Refunds of contributions	(582)	(322)	(245)	(94)	—	—
Net change in total pension liability	10,147	8,659	18,170	7,786	9,833	7,539
Total pension liability – beginning	227,581	218,922	200,752	192,966	183,133	175,594
Total pension liability – ending	$ 237,728	$ 227,581	$ 218,922	$ 200,752	$ 192,966	$ 183,133
Plan Fiduciary Net Position						
Contributions – employer	$ 5,845	$ 5,858	$ 5,782	$ 5,916	$ 5,840	$ 5,736
Contributions – non-employer	233	250	263	243	—	—
Contributions – member	2,002	2,387	1,950	1,917	1,624	1,458
Net investment income	8,269	12,283	15,099	2,605	5,738	18,677
Benefit payments	(12,063)	(11,546)	(11,037)	(10,482)	(10,001)	(9,443)
Administrative expense	(127)	(256)	(248)	(197)	(144)	(109)
Refunds of contributions	(582)	(322)	(245)	(94)	—	—
Other	2	8	—	(2)	—	—
Net change in plan fiduciary net position	3,579	8,662	11,564	(94)	3,057	16,319
Plan fiduciary net position – beginning	149,199	140,537	128,973	129,067	126,010	109,691
Plan fiduciary net position – ending	$ 152,778	$ 149,199	$ 140,537	$ 128,973	$ 129,067	$ 126,010
Net Pension Liability – Beginning	$ 78,382	$ 78,385	$ 71,779	$ 63,899	$ 57,123	$ 65,903
Net Pension Liability – Ending	$ 84,950	$ 78,382	$ 78,385	$ 71,779	$ 63,899	$ 57,123
Plan fiduciary net position as a percentage of TPL	64.27%	65.56%	64.20%	64.24%	67.00%	69.00%
Covered payroll	$ 15,178	$ 15,251	$ 14,779	$ 15,276	$ 14,549	$ 14,149
Net pension liability as a percentage of covered payroll	559.69%	513.95%	530.38%	469.88%	439.00%	404.00%

[1] *Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.*

Schedule of Employer Contributions [1]
For the Fiscal Year Ended June 30
(dollars in thousands)

	2020	2019	2018	2017	2016	2015
Contractually required contributions	$ 6,209	$ 6,051	$ 5,843	$ 5,706	$ 6,161	$ 5,782
Contributions in relation to the contractually required contributions	6,209	6,051	5,843	5,706	6,161	5,782
Contribution deficiency/(excess)	$ —	$ —	$ —	$ —	$ —	$ —
Covered payroll	$ 15,608	$ 15,178	$ 15,251	$ 14,779	$ 15,276	$ 14,549
Contributions as a percentage of covered payroll	39.78%	39.87%	38.31%	38.61%	40.00%	40.00%

[1] *Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.*

Notes to Required Supplementary Information
Highway Patrol Officers' Retirement System
For the Year Ended June 30, 2020

Method and assumptions used in calculations of contractually determined contributions: The contractually required contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2019, determined as of June 30, 2019.

The following key methods and assumptions were used to determine the contractual contribution rates reported in that schedule:

Actuarial cost method	Entry age Normal
Amortization method	Level percentage of pay, open
Asset valuation method	4-year smoothed market
Wage inflation	3.50%, including inflation
Salary increases	0% to 6.30%
Inflation	2.75%
Investment rate of return	7.65%, net of pension plan investment expense, including inflation
Mortality (healthy)	RP-2000 Combined employee and annuitant mortality table projected to 2020 using scale BB, males set back 1 year
Mortality (disabled)	RP-2000 Combined employee and annuitant mortality table
Admin expense as a % of payroll	0.27%

Changes of assumptions: No changes in assumptions or other inputs that affected the measurement date have been made since the prior measurement date.

Required Supplementary Information
State of Montana as an Employer Entity

Game Wardens' and Peace Officers' Retirement System
Schedule of Changes in Net Pension Liability and Related Ratios [1]
For the Fiscal Year Ended June 30

(dollars in thousands)

	2020	2019	2018	2017	2016	2015
Total Pension Liability (TPL)						
Service costs	$ 8,004	$ 8,098	$ 8,623	$ 8,403	$ 8,008	$ 7,850
Interest	17,618	16,018	14,269	12,911	12,398	11,258
Difference between expected and actual experience	(4,728)	4,781	3,743	2,705	731	—
Changes of assumptions	—	—	5,878	—	—	—
Benefit payments	(7,350)	(6,523)	(5,810)	(5,068)	(5,352)	(5,229)
Refunds of contributions	(1,001)	(1,105)	(1,036)	(1,066)	—	—
Net change in total pension liability	12,543	21,269	25,667	17,885	15,785	13,879
Total pension liability – beginning	234,470	213,201	187,534	169,649	153,864	139,985
Total pension liability – ending	$ 247,013	$ 234,470	$ 213,201	$ 187,534	$ 169,649	$ 153,864
Plan Fiduciary Net Position						
Contributions - employer	$ 4,686	$ 4,613	$ 4,464	$ 4,278	$ 4,088	$ 3,762
Contributions - member	5,566	5,512	5,278	5,036	4,924	4,462
Net investment income	11,125	15,573	18,590	3,167	6,435	20,069
Benefit payments	(7,350)	(6,523)	(5,810)	(5,068)	(5,352)	(5,229)
Administrative expense	(202)	(369)	(329)	(269)	(200)	(162)
Refunds of contributions	(1,001)	(1,105)	(1,036)	(1,066)	—	—
Other	1	(19)	(1)	(31)	—	—
Net change in plan fiduciary net position	12,825	17,682	21,156	6,047	9,895	22,902
Plan fiduciary net position – beginning	193,523	175,841	154,685	148,638	138,743	115,841
Plan fiduciary net position – ending	$ 206,348	$ 193,523	$ 175,841	$ 154,685	$ 148,638	$ 138,743
Net Pension Liability – Beginning	$ 40,947	$ 37,360	$ 32,849	$ 21,011	$ 15,121	$ 24,144
Net Pension Liability – Ending	$ 40,665	$ 40,947	$ 37,360	$ 32,849	$ 21,011	$ 15,121
Plan fiduciary net position as a percentage of TPL	83.54%	82.54%	82.48%	82.48%	87.00%	90.00%
Covered payroll	$ 51,677	$ 50,823	$ 49,381	$ 47,108	$ 44,885	$ 41,637
Net pension liability as a percentage of covered payroll	78.69%	80.57%	75.66%	69.73%	47.00%	36.00%

Schedule of Employer Contributions [1]
For the Fiscal Year Ended June 30

(dollars in thousands)

	2020	2019	2018	2017	2016	2015
Contractually required contributions	$ 4,837	$ 4,644	$ 4,574	$ 4,447	$ 4,240	$ 4,040
Contributions in relation to the contractually required contributions	4,837	4,644	4,574	4,447	4,240	4,040
Contribution deficiency/(excess)	$ —	$ —	$ —	$ —	$ —	$ —
Covered payroll	$ 53,825	$ 51,677	$ 50,823	$ 49,381	$ 47,108	$ 44,885
Contributions as a percentage of covered payroll	8.99%	8.99%	9.00%	9.01%	9.00%	9.00%

[1] *Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.*

Notes to Required Supplementary Information
Game Wardens' and Peace Officers' Retirement System
For the Year Ended June 30, 2020

Method and assumptions used in calculations of contractually determined contributions: The contractually required contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2019, determined as of June 30, 2019.

The following key methods and assumptions were used to determine the contractual contribution rates reported in that schedule:

Actuarial cost method	Entry age Normal
Amortization method	Level percentage of pay, open
Asset valuation method	4-year smoothed market
Wage inflation	3.50%, including inflation
Salary increases	0% to 6.30%
Inflation	2.75%
Investment rate of return	7.65%, net of pension plan investment expense, including inflation
Mortality (healthy)	RP-2000 Combined employee and annuitant mortality table projected to 2020 using scale BB, males set back 1 year
Mortality (disabled)	RP-2000 Combined employee and annuitant mortality table
Admin expense as a % of payroll	0.23%

Changes of assumptions: No changes in assumptions or other inputs that affected the measurement date have been made since the prior measurement date.

Required Supplementary Information
State of Montana as an Employer Entity

Public Employees' Retirement System-Defined Benefit Retirement System
Schedule of Proportionate Share of the Net Pension Liability [1]
For the Year Ended June 30
(dollars in thousands)

	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	39.140686%	39.546272%	53.049189%	53.241100%	53.611080%	53.223780%
Employer's proportionate share of the net pension liability	$ 818,162	$ 825,387	$ 1,033,200	$ 906,880	$ 749,414	$ 663,174
Employer's covered payroll	$ 638,674	$ 640,177	$ 648,671	$ 621,755	$ 620,286	$ 597,083
Employer 's proportionate share of the net pension liability as a percentage of its covered payroll	128.10%	128.93%	159.28%	145.86%	120.82%	111.07%
Plan fiduciary net position as a percentage of the total pension liability	73.85%	73.47%	74.00%	75.00%	78.00%	80.00%

Schedule of Employer Contributions [1]
For the Fiscal Year Ended June 30
(dollars in thousands)

	2020	2019	2018	2017	2016	2015
Contractually required contributions	$ 58,504	$ 56,183	$ 54,844	$ 56,256	$ 59,073	$ 58,575
Contributions in relation to the contractually required contributions	58,504	56,183	54,844	56,256	59,073	58,575
Contribution deficiency/(excess)	$ —	$ —	$ —	$ —	$ —	$ —
Covered payroll	$ 654,193	$ 638,674	$ 640,177	$ 648,671	$ 621,755	$ 620,286
Contributions as a percentage of covered payroll	8.94%	8.80%	8.57%	8.67%	9.50%	9.44%

[1] *Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.*

Notes to Required Supplementary Information
For the Year Ended June 30, 2020

Method and assumptions used in calculations of contractually determined contributions: The contractually required contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2019, determined as of June 30, 2019.

The following actuarial methods and assumptions were used to determine contractual contribution rates reported in that schedule:

Actuarial cost method	Entry age Normal
Amortization method	Level percentage of payroll, open
Asset valuation method	4-year smoothed market
Wage inflation	3.50%, includes inflation
Salary increases	0% to 4.80%
Inflation	2.75%
Investment rate of return	7.65%, includes inflation
Mortality (healthy)	RP-2000 Combined employee and annuitant mortality table projected to 2020 using scale BB, males set back 1 year
Mortality (disabled)	RP-2000 Combined employee and annuitant mortality table
Admin expense as a % of payroll	0.26%

Changes of assumptions: No changes in assumptions or other inputs that affected the measurement date have been made since the prior measurement date.

Required Supplementary Information
State of Montana as a Nonemployer Entity

Public Employees' Retirement System-Defined Benefit Retirement System
Schedule of Proportionate Share of the Net Pension Liability [1]
For the Year Ended June 30
(dollars in thousands)

	2020	2019	2018	2017	2016	2015
Nonemployer's proportion of the net pension liability	24.411533%	24.917247%	1.007464%	0.956169%	0.956090%	0.961287%
Nonemployer's proportionate share of the net pension liability	$ 510,277	$ 520,058	$ 19,622	$ 16,287	$ 13,365	$ 11,978
Plan fiduciary net position as a percentage of the total pension liability	73.85%	73.47%	74.00%	75.00%	78.00%	80.00%

Schedule of Nonemployer Contributions [1]
For the Fiscal Year Ended June 30
(dollars in thousands)

	2020	2019	2018	2017	2016	2015
Contractually required contributions	$ 35,008	$ 34,642	$ 34,706	$ 28,763	$ 30,800	$ 32,397
Contributions in relation to the contractually required contributions	35,008	34,642	34,706	28,763	30,800	32,397
Contribution deficiency/(excess)	$ —	$ —	$ —	$ —	$ —	$ —

[1] *Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.*

Notes to Required Supplementary Information
For the Year Ended June 30, 2020

Method and assumptions used in calculations of contractually determined contributions: The contractually determined contribution rates are set forth by the Legislature and are contained within the Montana Code Annotated (MCA). The amounts used for the valuation as of the year ended June 30, 2019, are as follows:

Special Funding

The State contributes 0.1% of member compensation on behalf of local government entities per Section 19-3-319, MCA.

The State contributes 0.37% of member compensation on behalf of school district entities per Section 19-3-319, MCA.

The State contributes a Statutory Appropriation from General Fund per Section 19-3-320, MCA.

Changes of assumptions: No changes in assumptions or other inputs that affected the measurement date have been made since the prior measurement date.

Required Supplementary Information
State of Montana as an Employer Entity

Sheriffs' Retirement System
Schedule of Proportionate Share of the Net Pension Liability [1]
For the Year Ended June 30
(dollars in thousands)

	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	4.876949%	4.872800%	4.856692%	5.454386%	5.637055%	5.535000%
Employer's proportionate share of the net pension liability	$ 4,067	$ 3,663	$ 3,696	$ 9,582	$ 5,434	$ 2,304
Employer's covered payroll	$ 3,915	$ 3,781	$ 3,634	$ 3,850	$ 3,836	$ 3,580
Employer 's proportionate share of the net pension liability as a percentage of its covered payroll	103.88%	96.88%	101.71%	248.88%	141.66%	64.36%
Plan fiduciary net position as a percentage of the total pension liability	81.89%	82.68%	81.00%	63.00%	75.00%	87.00%

Schedule of Employer Contributions [1]
For the Fiscal Year Ended June 30
(dollars in thousands)

	2020	2019	2018	2017	2016	2015
Contractually required contributions	$ 530	$ 513	$ 496	$ 368	$ 389	$ 388
Contributions in relation to the contractually required contributions	530	513	496	368	389	388
Contribution deficiency/(excess)	$ —	$ —	$ —	$ —	$ —	$ —
Covered payroll	$ 4,041	$ 3,915	$ 3,781	$ 3,634	$ 3,850	$ 3,836
Contributions as a percentage of covered payroll	13.12%	13.10%	13.12%	10.13%	10.10%	10.11%

[1] *Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.*

Notes to Required Supplementary Information
For the Year ended June 30, 2020

Method and assumptions used in calculations of contractually determined contributions: The contractually required contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2019, determined as of June 30, 2019. The following actuarial methods and assumptions were used to determine contractual contribution rates reported in that schedule:

Actuarial cost method	Entry age Normal
Amortization method	Level percentage of payroll, open
Asset valuation method	4-year smoothed market
Wage Inflation	3.50%, includes inflation
Salary increases	0% to 6.30%
Inflation	2.75%
Investment rate of return	7.65%, includes inflation
Mortality (healthy)	RP-2000 Combined employee and annuitant mortality table projected to 2020 using scale BB, set back 1 year for males
Mortality (disabled)	RP-2000 Combined employee and annuitant mortality table
Admin expense as a % of payroll	0.23%

Changes of assumptions: No changes in assumptions or other inputs that affected the measurement date have been made since the prior measurement date.

Required Supplementary Information
State of Montana as a Nonemployer Contributing Entity

Municipal Peace Officers' Retirement System
Schedule of Proportionate Share of the Net Pension Liability [1]
For the Year Ended June 30
(dollars in thousands)

	2020	2019	2018	2017	2016	2015
Nonemployer's proportion of the net pension liability	67.063878%	67.124706%	67.085433%	66.499650%	66.954111%	66.888728%
Nonemployer's proportionate share of the net pension liability	$ 133,487	$ 114,956	$ 119,354	$ 119,708	$ 110,756	$ 105,106
Plan fiduciary net position as a percentage of the total pension liability	68.84%	70.95%	68.00%	66.00%	67.00%	67.00%

Schedule of Nonemployer Contributions [1]
For the Fiscal Year Ended June 30
(dollars in thousands)

	2020	2019	2018	2017	2016	2015
Contractually required contributions	$ 16,677	$ 15,941	$ 15,283	$ 13,215	$ 13,752	$ 13,433
Contributions in relation to the contractually required contributions	16,677	15,941	15,283	13,215	13,752	13,433
Contribution deficiency/(excess)	$ —	$ —	$ —	$ —	$ —	$ —

[1] *Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.*

Notes to Required Supplementary Information
For the Year Ended June 30, 2020

Method and assumptions used in calculations of contractually determined contributions: The contractually determined contribution rates are set forth by the Legislature and are contained within the Montana Code Annotated (MCA). The amounts used for the valuation as of the year ended June 30, 2019, are as follows:

> The State contributes 29.37% of member compensation on behalf of all employer entities per Section 19-9-702, MCA.

Changes of assumptions: No changes in assumptions or other inputs that affected the measurement date have been made since the prior measurement date.

Required Supplementary Information
State of Montana as an Employer Entity

Firefighters' Unified Retirement System
Schedule of Proportionate Share of the Net Pension Liability [1]
For the Year Ended June 30
(dollars in thousands)

	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	2.013129%	2.300917%	2.233929%	2.261523%	2.399255%	1.850026%
Employer's proportionate share of the net pension liability	$ 2,309	$ 2,650	$ 2,525	$ 2,583	$ 2,454	$ 1,806
Employer's covered payroll	$ 1,051	$ 1,103	$ 1,022	$ 974	$ 986	$ 735
Employer 's proportionate share of the net pension liability as a percentage of its covered payroll	219.70%	240.25%	247.06%	265.20%	249.00%	245.00%
Plan fiduciary net position as a percentage of the total pension liability	80.08%	79.03%	78.00%	75.00%	77.00%	77.00%

Schedule of Employer Contributions [1]
For the Fiscal Year Ended June 30
(dollars in thousands)

	2020	2019	2018	2017	2016	2015
Contractually required contributions	$ 599	$ 494	$ 518	$ 472	$ 475	$ 142
Contributions in relation to the contractually required contributions	599	494	518	472	475	142
Contribution deficiency/(excess)	$ —	$ —	$ —	$ —	$ —	$ —
Covered payroll	$ 1,276	$ 1,051	$ 1,103	$ 1,022	$ 974	$ 986
Contributions as a percentage of covered payroll	46.94%	47.00%	46.96%	46.18%	49.00%	14.40%

[1] *Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.*

Notes to Required Supplementary Information
For the Year Ended June 30, 2020

Method and assumptions used in calculations of contractually determined contributions: The contractually required contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2019, determined as of June 30, 2019. The following actuarial methods and assumptions were used to determine contractual contribution rates reported in that schedule:

Actuarial cost method	Entry age Normal
Amortization method	Level percentage of payroll, open
Asset valuation method	4-year smoothed market
Wage inflation	3.50%, including inflation
Inflation	2.75%
Salary increases	0% to 6.30%
Investment rate of return	7.65%, including inflation
Mortality (healthy)	RP-2000 Combined employee and annuitant mortality table projected to 2020 using scale BB, males set back 1 year
Mortality (disabled)	RP-2000 Combined employee and annuitant mortality table
Admin as a % of payroll	0.25%

Changes of assumptions: No changes in assumptions or other inputs that affected the measurement date have been made since the prior measurement date.

Required Supplementary Information
State of Montana as a Nonemployer Contributing Entity

Firefighters' Unified Retirement System
Schedule of Proportionate Share of the Net Pension Liability [1]
For the Year Ended June 30
(dollars in thousands)

	2020	2019	2018	2017	2016	2015
Nonemployer's proportion of the net pension liability	69.323577%	67.972164%	67.876338%	67.809541%	67.358196%	68.005182%
Nonemployer's proportionate share of the net pension liability	$ 79,524	$ 78,285	$ 76,724	$ 77,448	$ 68,892	$ 66,384
Plan fiduciary net position as a percentage of the total pension liability	80.08%	79.03%	78.00%	75.00%	77.00%	77.00%

Schedule of Nonemployer Contributions [1]
For the Fiscal Year Ended June 30
(dollars in thousands)

	2020	2019	2018	2017	2016	2015
Contractually required contributions	$ 17,147	$ 16,209	$ 15,272	$ 14,042	$ 13,635	$ 13,573
Contributions in relation to the contractually required contributions	17,147	16,209	15,272	14,042	13,635	13,573
Contribution deficiency/(excess)	$ —	$ —	$ —	$ —	$ —	$ —

[1] *Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.*

Notes to Required Supplementary Information
For the Year Ended June 30, 2020

Method and assumptions used in calculations of statutorily determined contributions: The statutorily determined contribution rates are set forth by the Legislature and are contained within the Montana Code Annotated (MCA). The amounts used for the valuation as of the year ended June 30, 2019, are as follows:

> The State contributes 32.61% of member compensation on behalf of all employer entities per Section 19-13-604, MCA.

Changes of assumptions: No changes in assumptions or other inputs that affected the measurement date have been made since the prior measurement date.

Required Supplementary Information
State of Montana as a Nonemployer Contributing Entity

Volunteer Firefighters' Compensation Act
Schedule of Proportionate Share of the Net Pension Liability [1]
For the Year Ended June 30

(dollars in thousands)

	2020	2019	2018	2017	2016	2015
Nonemployer's proportion of the net pension liability	100%	100%	100%	100%	100%	100%
Nonemployer's proportionate share of the net pension liability	$ 6,907	$ 7,667	$ 10,087	$ 10,599	$ 10,504	$ 5,089
Plan fiduciary net position as a percentage of the total pension liability	85.23%	83.48%	78.00%	76.00%	76.00%	87.00%

Schedule of Nonemployer Contributions [1]
For the Fiscal Year Ended June 30

(dollars in thousands)

	2020	2019	2018	2017	2016	2015
Contractually required contributions	$ 2,475	$ 2,361	$ 2,207	$ 2,054	$ 2,024	$ 1,913
Contributions in relation to the contractually required contributions	2,475	2,361	2,207	2,054	2,024	1,913
Contribution deficiency/(excess)	$ —	$ —	$ —	$ —	$ —	$ —

[1] *Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.*

Notes to Required Supplementary Information
For the Year Ended June 30, 2020

Method and assumptions used in calculations of actuarially determined contributions: The statutorily determined contribution rates are set forth by the Legislature and are contained within the Montana Code Annotated (MCA). The amounts used for the valuation as of the year ended June 30, 2019, are as follows:

The State contributes 5% of certain fire tax insurance premiums paid per Section 19-17-301, MCA.

Changes of assumptions: No changes in assumptions or other inputs that affected the measurement date have been made since the prior measurement date.

Required Supplementary Information
State of Montana as an Employer Entity

Teachers' Retirement System
Schedule of Proportionate Share of the Net Pension Liability [1]
For the Year Ended June 30

(dollars in thousands)

	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	2.411113%	2.554088%	2.860298%	3.121008%	3.422388%	4.689747%
Employer's proportionate share of the net pension liability	$ 46,493	$ 47,407	$ 48,227	$ 57,016	$ 56,230	$ 72,168
Employer's covered payroll	$ 23,250	$ 24,275	$ 26,944	$ 28,915	$ 31,252	$ 32,937
Employer 's proportionate share of the net pension liability as a percentage of its covered payroll	199.97%	195.29%	178.99%	197.18%	179.00%	219.00%
Plan fiduciary net position as a percentage of the total pension liability	68.64%	69.09%	70.00%	67.00%	69.00%	70.00%

Schedule of Employer Contributions [1]
For the Fiscal Year Ended June 30

(dollars in thousands)

	2020	2019	2018	2017	2016	2015
Contractually required contributions	$ 16,686	$ 16,538	$ 17,298	$ 17,396	$ 16,946	$ 16,234
Contributions in relation to the contractually required contributions	16,686	16,538	17,298	17,396	16,946	16,234
Contribution deficiency/(excess)	$ —	$ —	$ —	$ —	$ —	$ —
Covered payroll	$ 22,384	$ 23,250	$ 24,275	$ 26,944	$ 28,915	$ 31,252
Contributions as a percentage of covered payroll	74.54%	71.13%	71.26%	64.56%	58.00%	52.00%

[1] *Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.*

Notes to Required Supplementary Information
For the Year Ended June 30, 2020

Changes of assumptions: The Guaranteed Annual Benefit Adjustment (GABA) for Tier Two members is a variable rate between 0.50% and 1.50% as determined by TRS. Since an increase in the amount of the GABA is not automatic and must be approved by TRS, the assumed increase was lowered from 1.50% to the current rate of 0.50% per annum.

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2019, determined as of June 30, 2019. The following actuarial methods and assumptions were used to determine actuarial contribution rates reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open
Remaining amortization period	31 years
Asset valuation method	4-year smoothed market
Wage inflation	3.25%, including inflation
Inflation	2.50%
Salary increase	3.25% to 7.76%, including inflation for non-University Members and 4.25% for University Members
Investment rate of return	7.50%, net of pension plan investment expense, and including inflation

Required Supplementary Information
State of Montana as a Nonemployer Contributing Entity

Teachers' Retirement System
Schedule of Proportionate Share of the Net Pension Liability [1]
For the Year Ended June 30
(dollars in thousands)

	2020	2019	2018	2017	2016	2015
Nonemployer's proportion of the net pension liability	37.112880%	37.735743%	38.133267%	38.729473%	39.384625%	38.777294%
Nonemployer's proportionate share of the net pension liability	$ 715,637	$ 700,417	$ 642,958	$ 707,527	$ 647,092	$ 596,724
Plan fiduciary net position as a percentage of the total pension liability	68.64%	69.09%	70.00%	67.00%	69.00%	70.00%

Schedule of Nonemployer Contributions [1]
For the Fiscal Year Ended June 30
(dollars in thousands)

	2020	2019	2018	2017	2016	2015
Contractually required contributions	$ 44,841	$ 44,333	$ 43,718	$ 43,028	$ 42,400	$ 42,806
Contributions in relation to the contractually required contributions	44,841	44,333	43,718	43,028	42,400	42,806
Contribution deficiency/(excess)	$ —	$ —	$ —	$ —	$ —	$ —

[1] *Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.*

Notes to Required Supplementary Information
For the Year Ended June 30, 2020

Method and assumptions used in calculations of contractually determined contributions: The contractually required contribution rates are set forth by the Legislature and are contained within the Montana Code Annotated (MCA). The amounts used for the valuation as of the year ended June 30, 2019, are as follows:

The State contributes 0.11% of the compensation of members participating per Section 19-20-604, MCA.

The State contributes 2.38% of member compensation on behalf of school district and community college entities per Section 19-20-607, MCA.

The State contributes a $25 million payment from the General Fund per Section 19-20-607, MCA.

Changes of assumptions: The Guaranteed Annual Benefit Adjustment (GABA) for Tier Two members is a variable rate between 0.50% and 1.50% as determined by TRS. Since an increase in the amount of the GABA is not automatic and must be approved by TRS, the assumed increase was lowered from 1.50% to the current rate of 0.50% per annum.

REQUIRED SUPPLEMENTARY INFORMATION

NOTE RSI – 3. OTHER POSTEMPLOYMENT BENEFITS PLAN INFORMATION (OPEB)

The State of Montana and MUS OPEB plans allow retirees to participate, as a group, at a rate that does not cover all of the related costs. This results in the reporting of the Total OPEB Liability in the related financial statements and note disclosures.

In accordance with GASB 75, the following information is presented to reflect the funding progress of the Other Postemployment Benefits Plans for the State of Montana OPEB plan.

Total OPEB Liability and Related Ratios
Last 10 Fiscal Years [1]
(in thousands)

Total OPEB Liability	2020	2019	2018
Service cost	$ 1,946	$ 2,062	$ 1,889
Interest	1,586	1,990	2,014
Changes of benefit terms	—	—	—
Difference between expected and actual experience	(9,409)	—	(4,723)
Changes of assumptions or other inputs	(1,877)	2,895	(295)
Benefit payments	(601)	(1,709)	1,705
Net change in Total OPEB Liability	(8,355)	5,238	590
Total OPEB Liability - Beginning	55,697	50,459	49,869
Total OPEB Liability - Ending	$ 47,342	$ 55,697	$ 50,459
State and discretely presented component units' proportion of the collective Total OPEB Liability	100 %	100 %	100 %
Covered employee payroll	$ 690,563	$ 702,688	$ 675,661
Total OPEB Liability as a percentage of covered employee payroll	6.86 %	7.93 %	7.47%

[1] Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

Note to Schedule: No assets are accumulated in a trust that meets the criteria of GASB 75.

Factors that significantly affect trends in the amounts reported:

Changes of benefit terms, No changes in assumptions or other inputs that affected the measurement date have been made since the prior measurement date.

In accordance with GASB 75, the following information is presented to reflect the funding progress of the Other Postemployment Benefits Plans for MUS plan.

Total OPEB Liability and Related Ratios
Last 10 Fiscal Years [1]
(in thousands)

Total OPEB Liability	2020	2019	2018
Service cost	$ 1,736	$ 1,952	$ 1,954
Interest	1,130	1,495	1,410
Changes of benefit terms	—	—	—
Difference between expected and actual experience	(15,015)	—	(1,323)
Changes of assumptions or other inputs	(1,791)	1,351	(182)
Benefit payments	1,441	(888)	(679)
Net change in Total OPEB Liability	(12,499)	3,910	1,180
Total OPEB Liability - Beginning	39,348	35,438	34,258
Total OPEB Liability - Ending	$ 26,849	$ 39,348	$ 35,438
State and discretely presented component units' proportion of the collective Total OPEB Liability	94.92 %	95.59 %	95.62 %
Covered employee payroll [2]	$ 418,193	$ 451,613	$ 434,243
Total OPEB Liability as a percentage of covered employee payroll	6.42 %	9.11 %	8.53%

[1] Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.
[2] Amount reported is for the whole MUS plan for 2018 and 2019. Community Colleges were included due to lack of ability to separate covered employee payroll for those years.

Note to Schedule: No assets are accumulated in a trust that meets the criteria of GASB 75.

Factors that significantly affect trends in the amounts reported:

Changes of benefit terms, Changes in benefit terms include increased annual deductible and out-of-pocket maximums.

REQUIRED SUPPLEMENTARY INFORMATION

NOTE RSI – 4. RISK MANAGEMENT TREND INFORMATION

The following tables present risk management trend information for the Hail Insurance Fund and the MUS Group Benefits Fund. The Hail Insurance Fund pays claims within a calendar year cycle that parallels the growing season from spring planting to fall harvesting; therefore, it has no development cycle. The MUS Group Benefits Fund has a three to five-year development cycle.

The tables illustrate how the earned revenues (net of reinsurance) of the funds and their investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the funds as of the end of the fiscal year (in thousands). Section 3 shows the funds' incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred. Section 4 shows the cumulative amounts paid as of the end of successive years for each policy year. Section 6 shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual re-estimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known. Section 7 compares the latest re-estimated incurred claims amount to the amount originally established (Section 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. This table will be revised as data for successive policy years develops.

State of Montana Hail Insurance Program
Claims Development Information

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
1. Premiums and investment revenue										
Earned	$ 3,701	$ 4,836	$ 4,320	$ 5,918	$ 7,446	$ 8,309	$ 8,029	$ 7,101	$ 7,034	$ 6,710
Ceded	3,170	3,605	3,255	4,771	6,346	2,049	—	—	—	—
Net earned	531	1,231	1,065	1,147	1,100	6,260	8,029	7,101	7,034	6,710
2. Unallocated expenses including overhead	$ 384	$ 412	$ 448	$ 455	$ 424	$ 1,124	$ 1,033	$ 3,562	$ 2,308	$ 1,545
3. Estimated losses and expenses end of accident year	$ 793	$ 422	$ 120	$ 819	$ 324	$ 6,660	$ 13,511	$ 2,221	$ 4,608	$ 6,309
4. Net paid (cumulative) as of:										
End of policy year	$ 782	$ 405	$ 85	$ 817	$ 189	$ 6,643	$ 13,285	$ 1,881	$ 3,857	$ 6,144
One year later						—	—	—	—	—
Two years later							—	—	—	—
Three years later								—	—	—
Four years later									—	—
Five years later										—
Six years later										
Seven years later										
Eight years later										
Nine years later										
5. Re-estimated ceded losses and expenses	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
6. Re-estimated net incurred losses and expense:										
End of policy year	$ 793	$ 422	$ 120	$ 819	$ 324	$ 6,660	$ 13,511	$ 2,221	$ 4,608	$ 6,309
One year later						—	—	—	—	—
Two years later							—	—	—	—
Three years later								—	—	—
Four years later									—	—
Five years later										—
Six years later										
Seven years later										
Eight years later										
Nine years later										
7. Increase (decrease) in estimated net incurred losses and expenses from end of policy year	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

Montana University System – Medical, Dental, Vision, Rx Claims
Claims Development Information

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
1. Premiums and investment Revenue	$ 98,599	$ 98,885	$ 99,369	$ 100,693	$ 84,297	$ 80,764	$ 79,257	$ 76,505	$ 75,911	$ 73,078
2. Unallocated expenses including overhead	$ 4,691	$ 5,150	$ 5,111	$ 5,196	$ 5,129	$ 5,198	$ 4,787	$ 3,938	$ 4,063	$ 4,663
3. Estimated losses and expenses end of accident year	$ 96,326	$ 93,392	$ 90,427	$ 85,802	$ 87,233	$ 87,353	$ 71,877	$ 69,325	$ 64,331	$ 64,919
4. Net paid (cumulative) as of:										
End of policy year	$ 83,896	$ 82,211	$ 80,393	$ 75,601	$ 76,400	$ 79,388	$ 63,317	$ 61,964	$ 56,981	$ 57,018
One year later		91,306	89,050	84,575	85,796	88,943	69,073	67,988	62,937	63,495
Two years later			89,140	84,729	85,894	89,261	69,074	68,024	62,968	63,538
Three years later				84,738	86,002	89,264	69,076	68,024	62,974	63,539
Four years later					86,038	89,271	69,076	68,024	62,974	63,539
Five years later						89,283	69,076	68,024	62,974	63,539
Six years later							69,076	68,024	62,974	63,539
Seven years later								68,024	62,974	63,539
Eight years later									62,974	63,539
Nine years later										63,539
5. Re-estimated ceded losses and expenses	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
6. Re-estimated net incurred losses and expense:										
End of policy year	$ 96,326	$ 93,392	$ 90,427	$ 85,802	$ 87,233	$ 87,353	$ 71,877	$ 69,325	$ 64,331	$ 64,919
One year later		93,028	89,036	84,567	86,148	88,824	71,700	68,349	63,446	63,941
Two years later			89,140	84,729	85,894	89,261	69,074	68,024	62,968	63,538
Three years later				84,738	86,002	89,264	69,076	68,024	62,974	63,539
Four years later					86,038	89,271	69,076	68,024	62,974	63,539
Five years later						89,283	69,076	68,024	62,974	63,539
Six years later							69,076	68,024	62,974	63,539
Seven years later								68,024	62,974	63,539
Eight years later									62,974	63,539
Nine years later										63,539
7. Increase (decrease) in estimated net incurred losses and expenses from end of policy year	$ —	$ (365)	$ (1,287)	$ (1,064)	$ (1,194)	$ 1,930	$ (2,800)	$ (1,302)	$ (1,357)	$ (1,380)

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

		Amount to Subrecipients	Expenditures
AGENCY FOR INTERNATIONAL DEVELOPMENT			
98.001	USAID Foreign Assistance for Programs Overseas		
	AMIDEAST 10001.15.006	$133,908	$226,312
		TOTAL	**$226,312**
		AGENCY FOR INTERNATIONAL DEVELOPMENT TOTAL	**$226,312**
CORPORATION FOR NATIONAL & COMMUNITY SERVICE			
94.003	State Commissions		$251,602
94.006	AmeriCorps	$2,994,741	$3,208,833
94.008	Commission Investment Fund		$223,226
94.009	Training and Technical Assistance		$58,410
94.013	Volunteers in Service to America		$681,946
94.027	AmeriCorps VISTA Recruitment Support		$10,035
		TOTAL	**$4,434,052**
		CORPORATION FOR NATIONAL & COMMUNITY SERVICE TOTAL	**$4,434,052**
DEPARTMENT OF AGRICULTURE			
10.025	Plant and Animal Disease, Pest Control, and Animal Care		$1,134,395
10.093	Voluntary Public Access and Habitat Incentive Program		$658,885
10.156	Federal-State Marketing Improvement Program		$55
10.162	Inspection Grading and Standardization		$35,075
10.163	Market Protection and Promotion		$146,497
10.170	Specialty Crop Block Grant Program - Farm Bill	$212,426	$1,446,610
10.310	Agriculture and Food Research Initiative (AFRI)		$38,333
	University of Idaho BDK489-SB-001		$121
10.433	Rural Housing Preservation Grants		$89
10.435	State Mediation Grants		$10,693
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection		$1,138,337
10.500	Cooperative Extension Service	$18,601	$469,759
	Kansas State University S19162		$3,112
	Kansas State University S19102		$9,404
	Kansas State University A00-0983-S075		$53
	Kansas State University A00-0983-S069		$7,092
	University of Missouri C00059381-8		$22,332
	Washington State University 134191 G004011		$22,605

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

		Amount to Subrecipients	Expenditures
10.536	CACFP Training Grants	$25,705	$27,639
10.541	Child Nutrition-Technology Innovation Grant		$1,000,179
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children	$4,440,882	$12,809,931
10.558	Child and Adult Care Food Program	$707,893	$6,868,739
10.558	COVID-19 - Child and Adult Care Food Program		$3,205,405
10.560	State Administrative Expenses for Child Nutrition		$954,728
10.567	Food Distribution Program on Indian Reservations	$1,917,369	$6,201,764
10.572	WIC Farmers' Market Nutrition Program (FMNP)		$52,926
10.574	Team Nutrition Grants		$359,834
10.575	Farm to School Grant Program	$20,114	$74,602
10.576	Senior Farmers Market Nutrition Program	$76,784	$86,919
10.578	WIC Grants To States (WGS)		($4,217)
10.579	Child Nutrition Discretionary Grants Limited Availability	$86,103	$163,630
10.582	Fresh Fruit and Vegetable Program	$1,591,868	$1,686,015
10.601	Market Access Program		
	U.S. Livestock Genetics Export, Inc. MT DOA 2019		$39,692
10.652	Forestry Research		$388,094
10.664	Cooperative Forestry Assistance	$2,777,421	$5,536,716
	Gallatin County 2018-579		$21,317
	Gallatin County 2018-578		$20,672
10.674	Wood Utilization Assistance		$28,509
10.676	Forest Legacy Program		$6,042,953
10.680	Forest Health Protection		$9,832
10.683	National Fish and Wildlife Foundation		$32,228
10.691	Good Neighbor Authority		$28,986
10.698	State & Private Forestry Cooperative Fire Assistance		$10,637
10.699	Partnership Agreements		$92,422
10.855	Distance Learning and Telemedicine Loans and Grants		($295)
10.902	Soil and Water Conservation	$40,251	$139,765
10.912	Environmental Quality Incentives Program		$27,758
10.924	Conservation Stewardship Program		$26,847
10.931	Agricultural Conservation Easement Program		$1,806,597
10.UXX	Miscellaneous Non-Major Grants		$92,257
		TOTAL	**$52,976,528**

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

		Amount to Subrecipients		Expenditures
Child Nutrition Cluster				
10.553	School Breakfast Program	$7,312,667		$7,380,345
10.553	COVID-19 - School Breakfast Program	$784,782		$805,929
10.555	National School Lunch Program	$22,857,156		$22,998,977
10.555	COVID-19 - National School Lunch Program	$1,919,845		$1,959,640
10.556	Special Milk Program for Children	$9,679		$9,679
10.556	COVID-19 - Special Milk Program for Children	$206		$206
10.559	Summer Food Service Program for Children	$2,344,224		$2,407,447
10.559	COVID-19 - Summer Food Service Program for Children	$10,534,275		$10,563,625
			TOTAL	**$46,125,848**
Food Distribution Cluster				
10.565	Commodity Supplemental Food Program			$2,138,731
10.569	Emergency Food Assistance Program (Food Commodities)	$307,940		$3,673,593
10.569	COVID-19 - Emergency Food Assistance Program (Food Commodities)	$257,679		$314,196
			TOTAL	**$6,126,520**
Forest Service Schools and Roads Cluster				
10.665	Schools and Roads - Grants to States	$13,800,949		$13,800,949
			TOTAL	**$13,800,949**
SNAP Cluster				
10.551	Supplemental Nutrition Assistance Program			$139,226,324
10.551	COVID-19 - Supplemental Nutrition Assistance Program			$22,609,431
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	$267,791		$10,903,575
			TOTAL	**$172,739,330**
			DEPARTMENT OF AGRICULTURE TOTAL	**$291,769,175**
DEPARTMENT OF COMMERCE				
11.303	Economic Development Technical Assistance			$155,576
11.550	Public Telecommunications Facilities Planning and Construction			
	Corporation for Public Broadcasting 1492			$320,975
11.611	Manufacturing Extension Partnership	$45,698		$758,040
	Hawaii Technology Development			$55,737
	New Jersey Manufacturing Extension Program			$4,396
11.620	Science, Technology, Business and/or Education Outreach			$17,954
			TOTAL	**$1,312,678**

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

		Amount to Subrecipients	Expenditures
Economic Development Cluster			
11.307	Economic Adjustment Assistance		$312,521
11.307	Economic Adjustment Assistance		$3,006,744
		TOTAL	**$3,319,265**
		DEPARTMENT OF COMMERCE TOTAL	**$4,631,943**
DEPARTMENT OF DEFENSE			
12.002	Procurement Technical Assistance For Business Firms		
	Big Sky Economic Development Corporation SP4800-18-2-1822		$4,902
	Big Sky Economic Development Corporation SP4800-19-2-1922		$73,537
12.112	Payments to States in Lieu of Real Estate Taxes		$1,265
12.357	ROTC Language and Culture Training Grants		
	Institute of International Education PGO1801-UMT-16-PGO-051-PO2		$20,462
	Institute of International Education PGO1801-UMT-16-PGO-051-PO4		$102,749
12.400	Military Construction, National Guard		$11,543,057
12.401	National Guard Military Operations and Maintenance (O&M) Projects		$22,567,444
12.404	National Guard ChalleNGe Program		$4,539,800
12.579	Language Training Center		
	Institute of International Education PGO1801-UMT-16-LTC-052-PO3		$2,625,554
	Institute of International Education OPAS		$246,928
12.620	Troops to Teachers Grant Program		$841,175
12.UXX	Miscellaneous Non-Major Grants	$54,999	$968,603
	Eastern Band of Cherokee Indians 1900163		$78,510
	Pacific States Marine Fisheries Commission 19-102P		$170,654
	Pacific States Marine Fisheries Commission 19-85P		$1,187,025
	Pacific States Marine Fisheries Commission 20-105P		$458,487
	Pacific States Marine Fisheries Commission 20-144P		$61,193
		TOTAL	**$45,491,345**
		DEPARTMENT OF DEFENSE TOTAL	**$45,491,345**
DEPARTMENT OF EDUCATION			
84.002	Adult Education - Basic Grants to States	$1,002,927	$1,391,580
84.010	Title 1 Grants to Local Educational Agencies	$46,241,061	$47,398,313
84.011	Migrant Education State Grant Program	$1,197,549	$1,344,474
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth	$146,963	$382,728

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

		Amount to Subrecipients	Expenditures
84.031	Higher Education Institutional Aid		$947,409
84.048	Career and Technical Education -- Basic Grants to States	$3,328,344	$5,539,619
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States		$7,730,279
84.177	Rehabilitation Services Independent Living Services for Older Individuals Who are Blind		$197,072
84.181	Special Education-Grants for Infants and Families		$1,470,722
84.184	School Safety National Activities	$77,338	$557,016
84.187	Supported Employment Services for Individuals with the Most Significant Disabilities		$175,074
84.196	Education for Homeless Children and Youth	$217,613	$289,974
84.287	Twenty-First Century Community Learning Centers	$4,680,745	$5,022,374
84.299	Indian Education -- Special Programs for Indian Children		
	Aaniiih Nakoda College S299B180009		$14,580
	Blackfeet Community College S299B160026		$38,409
	Blackfeet Community College TCTC#2-3861-5107		$73,098
	Blackfeet Community College TCTC#2-386-1-1504		$156,962
	Fort Peck Community College ED-GRANTS-061418-001		$19,605
84.323	Special Education - State Personnel Development	$48,170	$428,912
84.325	Special Education - Personnel Development to Improve Services and Results for Children with Disabilities		$216,031
84.326	Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities		$101,430
	Helen Keller National Center H326T180026		$16,021
	Helen Keller National Center 2020-190		$41,562
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs	$1,914,044	$3,260,436
84.335	Child Care Access Means Parents in School		$5,875
84.358	Rural Education	$532,946	$586,805
84.365	English Language Acquisition State Grants	$371,901	$1,218,681
84.366	Mathematics and Science Partnerships	$40,400	$44,870
84.367	Supporting Effective Instruction State Grants	$8,713,160	$9,145,268
	National Writing Project 16-MT03-SEED2018-C3WPHNPD		$376
84.369	Grants for State Assessments and Related Activities		$3,457,395
84.371	Comprehensive Literacy Development	$7,102,591	$7,610,562
84.372	Statewide Longitudinal Data Systems		$984,911
84.377	School Improvement Grants	$186,234	$635,666

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

		Amount to Subrecipients		Expenditures
84.418	Promoting Readiness of Minors in Supplemental Security Income			
	State of Utah Contract REF# 146214			$15,426
	University of Utah 10033712			$15,865
84.419	Preschool Development Grants	$2,912,193		$4,032,135
84.424	Student Support and Academic Enrichment Program	$4,710,205		$4,927,997
84.998	American Printing House for the Blind			$10,067
84.UXX	Miscellaneous Non-Major Grants			$113,496
			TOTAL	**$109,619,075**
Education Stablization Fund Under the Corornavirus Aid, Relief, and Economic Security Act				
84.425D	COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) Fund	$1,421,661		$1,421,661
84.425E	COVID-19 - Higher Education Emergency Relief Fund (HEERF) Student Aid Portion			$6,230,176
84.425F	COVID-19 - HEERF Institutional Portion			$4,539,253
			TOTAL	**$12,191,090**
Special Education Cluster (IDEA)				
84.027	Special Education Grants to States	$35,118,500		$38,808,168
84.173	Special Education Preschool Grants	$1,431,748		$1,120,008
			TOTAL	**$39,928,176**
Student Financial Assistance Cluster				
84.007	Federal Supplemental Educational Opportunity Grants			$1,563,321
84.007	COVID-19 - Federal Supplemental Educational Opportunity Grants			$75,560
84.033	Federal Work-Study Program			$1,914,835
84.038	Federal Perkins Loan Program - Federal Capital Contributions			$28,249,249
84.063	Federal Pell Grant Program			$40,941,532
84.268	Federal Direct Student Loans			$155,770,460
84.379	Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)			$5,838
			TOTAL	**$228,520,795**
TRIO Cluster				
84.042	TRIO Student Support Services			$2,193,824
84.044	TRIO Talent Search	$4,894		$1,254,180
84.047	TRIO Upward Bound			$1,727,975
			TOTAL	**$5,175,979**
			DEPARTMENT OF EDUCATION TOTAL	**$395,435,115**

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

		Amount to Subrecipients	Expenditures
DEPARTMENT OF ENERGY			
81.041	State Energy Program		$5,844
81.042	Weatherization Assistance for Low-Income Persons		$2,465,255
81.117	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance		$119,645
81.121	Nuclear Energy Research, Development and Demonstration		$15,000
	Los Alamos National Security 577352		$1,937
81.138	State Heating Oil and Propane Program		$6,969
81.UXX	Miscellaneous Non-Major Grants		$265,547
	Pacific States Marine Fisheries Commission 19-36G		$60,551
	Pacific States Marine Fisheries Commission 20-18G		$58,624
		TOTAL	**$2,999,372**
		DEPARTMENT OF ENERGY TOTAL	**$2,999,372**
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
93.041	Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	$6,369	$25,580
93.042	Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	$85,725	$85,725
93.042	COVID-19 - Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	$10,800	$10,820
93.043	Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	$116,046	$116,046
93.048	COVID-19 - Special Programs for the Aging, Title IV, and Title II, Discretionary Projects		$304,000
93.051	Alzheimer's Disease Demonstration Grants to States		$246,665
93.052	National Family Caregiver Support, Title III, Part E	$847,351	$892,695
93.052	COVID-19 - National Family Caregiver Support, Title III, Part E	$141,588	$141,846
93.068	Chronic Diseases: Research, Control, and Prevention		
	National Association of Chronic Disease Directors (NACDD) 3192019		$5,553
93.069	Public Health Emergency Preparedness	$2,729,069	$4,874,149
93.070	Environmental Public Health and Emergency Response	$38,322	$438,807
93.071	Medicare Enrollment Assistance Program	$131,311	$137,529
93.072	Lifespan Respite Care Program	$225,098	$257,842

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State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

		Amount to Subrecipients	Expenditures
93.079	Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance		$108,015
93.090	Guardianship Assistance		$2,233,707
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	$182,795	$274,460
93.103	Food and Drug Administration Research		$264,293
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	$86,200	$1,694,894
93.110	Maternal and Child Health Federal Consolidated Programs	$1,077,224	$1,923,146
	Utah State University P0440124-E		$9,000
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs		$188,164
93.127	Emergency Medical Services for Children		$337,236
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	$85,001	$225,905
93.136	Injury Prevention and Control Research and State and Community Based Programs	$13,035	$1,099,031
93.150	Projects for Assistance in Transition from Homelessness (PATH)	$234,067	$233,392
93.165	Grants to States for Loan Repayment Program	$150,113	$150,113
93.184	Disabilities Prevention	$95,675	$391,096
	University of Alabama NU27DD001157		$4,355
93.217	Family Planning Services	$1,103,657	$1,771,656
93.235	Title V State Sexual Risk Avoidance Education (Title V State SRAE) Program	$50,000	$210,069
93.236	Grants to States to Support Oral Health Workforce Activities	$284,340	$438,557
93.240	State Capacity Building		$215,406
93.241	State Rural Hospital Flexibility Program	$555,284	$678,628
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	$2,876,165	$5,750,394
93.251	Universal Newborn Hearing Screening		$231,887
93.262	Occupational Safety and Health Program	$14,581	$297,057
93.268	Immunization Cooperative Agreements	$358,424	$12,129,997
93.268	COVID-19 - Immunization Cooperative Agreements		$523
93.270	Viral Hepatitis Prevention and Control		$68,595
93.297	Teenage Pregnancy Prevention Program	$105,641	$475,355
93.300	National Center for Health Workforce Analysis		
	University of California, San Francisco 11723SC		$13,388
93.301	COVID-19 - Small Rural Hospital Improvement Grant Program	$2,590,854	$2,849,939
93.305	PPHF 2018: Office of Smoking and Health-National State-Based Tobacco Control Programs-Financed in part by 2018 Prevention and Public Health funds (PPHF)		$835,205

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State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

		Amount to Subrecipients	Expenditures
93.307	Minority Health and Health Disparities Research		$9,375,000
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)		$1,953,347
93.323	COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)		$4,909,222
93.324	State Health Insurance Assistance Program	$440,988	$542,906
93.336	Behavioral Risk Factor Surveillance System		$404,563
93.354	Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	$107,221	$1,440,494
93.354	COVID-19 - Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	$1,190,089	$2,604,568
93.359	Nurse Education, Practice Quality and Retention Grants		$19,731
93.369	ACL Independent Living State Grants		$409,269
93.423	1332 State Innovation Waivers		$32,025
93.424	NON-ACA/PPHF—Building Capacity of the Public Health System to Improve Population Health through National Nonprofit Organizations		
	National Association of Chronic Disease Disorders 251-1501-1 #2702019		$2,455
93.426	Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke-Financed in part by 2018 Prevention and Public Health Funds	$123,783	$1,985,575
93.433	ACL National Institute on Disability, Independent Living, and Rehabilitation Research	$164,370	$638,035
	Meeting Challenge 90D)0094-04-01		$1,139
	Shepherd Center SHEP-19-0013		$45,462
93.434	Every Student Succeeds Act/Preschool Development Grants	$2,482,355	$3,352,833
93.435	Innovative State and Local Public Health Strategies to prevent and Manage Diabetes and Heart Disease and Stroke-	$570,718	$1,646,458
93.448	Food Safety and Security Monitoring Project		$119,078
93.449	Ruminant Feed Ban Support Project		$23,046
93.464	ACL Assistive Technology		$174,070
93.471	Title IV-E Kinship Navigator Program	$143,101	$151,147
93.498	COVID-19 - Provider Relief Fund		$934,894
93.500	Pregnancy Assistance Fund Program	$654,077	$881,808
93.504	Family to Family Health Information Centers		$52,280
93.516	Public Health Training Centers Program		
	University of Colorado - Denver FY19.641.005		$9,111
93.556	Promoting Safe and Stable Families	$642,154	$836,838
93.558	Temporary Assistance for Needy Families	$1,396,149	$27,402,009
93.563	Child Support Enforcement		$12,674,345

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

		Amount to Subrecipients	Expenditures
93.566	Refugee and Entrant Assistance State/Replacement Designee Administered Programs	$373,384	$559,538
93.568	Low-Income Home Energy Assistance	$1,064,942	$20,947,325
93.568	COVID-19 - Low-Income Home Energy Assistance		$3,571,621
93.569	Community Services Block Grant		$3,489,336
93.569	COVID-19 - Community Services Block Grant		$35,386
93.586	State Court Improvement Program		$200,844
93.590	Community-Based Child Abuse Prevention Grants	$122,905	$230,013
93.597	Grants to States for Access and Visitation Programs	$95,549	$96,627
93.599	Chafee Education and Training Vouchers Program (ETV)	$325,954	$327,601
93.603	Adoption and Legal Guardianship Incentive Payments		$632,666
93.630	Developmental Disabilities Basic Support and Advocacy Grants	$436,358	$436,358
93.632	University Centers for Excellence in Developmental Disabilities Education, Research, and Service		$613,245
93.636	ACA - Reinvestment of Civil Money Penalties to Benefit Nursing Home Residents	$93,694	$199,058
93.636	COVID-19 - ACA - Reinvestment of Civil Money Penalties to Benefit Nursing Home Residents	$45,145	$49,256
93.643	Children's Justice Grants to States		$61,858
93.645	Stephanie Tubbs Jones Child Welfare Services Program		$705,322
93.658	Foster Care Title IV-E	$4,648,368	$21,226,848
	University of Colorado - Denver SC37941-03-00 / P0167077		$71,392
93.659	Adoption Assistance		$12,788,485
93.667	Social Services Block Grant		$5,907,520
93.669	Child Abuse and Neglect State Grants		$109,589
93.671	Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	$825,836	$831,411
93.674	Chafee Foster Care Independence Program	$920,193	$1,099,394
93.732	Mental and Behavioral Health Education and Training Grants		$904,648
93.747	Elder Abuse Prevention Interventions Program		$185,194
93.752	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations financed in part by Prevention and Public Health Funds	$65,141	$412,964
93.758	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	$280,844	$1,062,415
93.767	Children's Health Insurance Program		$85,516,971
93.788	Opioid STR	$3,058,792	$3,698,425
93.791	Money Follows the Person Rebalancing Demonstration		$252,019
93.800	Organized Approaches to Increase Colorectal Cancer Screening	$177,398	$435,241
93.817	Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	$3,923	$62,347
93.822	Health Careers Opportunity Program		$414,380

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

		Amount to Subrecipients		Expenditures
93.870	Maternal, Infant and Early Childhood Home Visiting Grant Program	$4,013,394		$4,844,349
93.884	Grants for Primary Care Training and Enhancement	$35,227		$315,497
93.889	National Bioterrorism Hospital Preparedness Program			$1,071,702
93.889	COVID-19 - National Bioterrorism Hospital Preparedness Program			$619
93.898	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	$713,973		$2,082,988
93.912	Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider			$292,130
	Montana Health Research and Education Foundation RCORP.MORH.01.2019-2020			$31,686
93.917	HIV Care Formula Grants	$1,377,063		$2,022,743
93.940	HIV Prevention Activities Health Department Based	$492,992		$973,894
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs			$137,320
93.958	Block Grants for Community Mental Health Services	$1,961,396		$2,204,716
93.959	Block Grants for Prevention and Treatment of Substance Abuse	$3,173,917		$5,511,446
93.969	PPHF Geriatric Education Centers	$149,877		$640,198
93.970	Health Professions Recruitment Program for Indians			$370,854
93.977	Sexually Transmitted Diseases (STD) Prevention and Control Grants			$314,196
93.994	Maternal and Child Health Services Block Grant to the States	$1,368,886		$2,536,761
93.UXX	Miscellaneous Non-Major Grants	$90,202		$163,827
			TOTAL	**$305,912,651**
Aging Cluster				
93.044	Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	$1,712,416		$2,042,090
93.044	COVID-19 - Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	$299,917		$300,463
93.045	Special Programs for the Aging, Title III, Part C, Nutrition Services	$3,072,658		$3,562,637
93.045	COVID-19 - Special Programs for the Aging, Title III, Part C, Nutrition Services	$1,772,515		$1,786,293
93.053	Nutrition Services Incentive Program	$1,015,419		$1,226,877
			TOTAL	**$8,918,360**
CCDF Cluster				
93.575	Child Care and Development Block Grant	$5,654,620		$17,881,999
93.575	COVID-19 - Child Care and Development Block Grant	$5,241,261		$6,682,283
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund			$6,767,605
			TOTAL	**$31,331,887**
Head Start Cluster				
93.600	Head Start			$109,058
			TOTAL	**$109,058**

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

		Amount to Subrecipients	Expenditures
Medicaid Cluster			
93.775	State Medicaid Fraud Control Units		$413,182
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare		$2,824,480
93.778	Medical Assistance Program	$153,004	$1,620,170,690
		TOTAL	**$1,623,408,352**
Student Financial Assistance Cluster			
93.264	Nurse Faculty Loan Program (NFLP)		$8,630
93.342	Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students		$320,347
93.364	Nursing Student Loans		$2,925,738
		TOTAL	**$3,254,715**
		DEPARTMENT OF HEALTH AND HUMAN SERVICES TOTAL	**$1,972,935,023**
DEPARTMENT OF HOMELAND SECURITY			
97.008	Non-Profit Security Program	$6,990	$6,990
97.012	Boating Safety Financial Assistance		$626,651
97.023	Community Assistance Program State Support Services Element (CAP-SSSE)		$224,474
97.029	Flood Mitigation Assistance	$26,995	$207,918
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	$3,435,717	$2,807,441
97.036	COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	$1,350,831	$10,216,501
97.039	Hazard Mitigation Grant	$1,837,017	$2,638,005
97.041	National Dam Safety Program		$249,871
97.042	Emergency Management Performance Grants	$1,779,498	$3,127,495
97.043	State Fire Training Systems Grants		$3,784
97.045	Cooperating Technical Partners		$9,371,929
97.046	Fire Management Assistance Grant	$29,930	$4,929,930
97.047	Pre-Disaster Mitigation	$32,054	$3,815
97.067	Homeland Security Grant Program	$4,352,175	$4,030,666
	Kalispell Police Department 18-SPWSPW-06-008		$10,379
97.082	Earthquake Consortium		$21,416
		TOTAL	**$38,477,265**
		DEPARTMENT OF HOMELAND SECURITY TOTAL	**$38,477,265**
DEPARTMENT OF HOUSING & URBAN DEVELOPMENT			
14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	$6,788,064	$7,058,250
14.231	Emergency Solutions Grant Program		$699,664

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

		Amount to Subrecipients	Expenditures
14.231	COVID-19 - Emergency Solutions Grant Program		$100,715
14.239	Home Investment Partnerships Program	$3,386,483	$3,613,320
14.241	Housing Opportunities for Persons with AIDS		$950,322
14.241	COVID-19 - Housing Opportunities for Persons with AIDS		$31,894
14.275	Housing Trust Fund	$3,019,083	$3,215,925
14.326	Project Rental Assistance Demonstration (PRA Demo) Program of Section 811 Supportive Housing for Persons with Disabilities		$149,632
		TOTAL	**$15,819,722**
Housing Voucher Cluster			
14.871	Section 8 Housing Choice Vouchers		$22,894,986
		TOTAL	**$22,894,986**
Section 8 Project-Based Cluster			
14.195	Section 8 Housing Assistance Payments Program		$24,317,303
14.856	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation		$1,813,074
		TOTAL	**$26,130,377**
		DEPARTMENT OF HOUSING & URBAN DEVELOPMENT TOTAL	**$64,845,085**
DEPARTMENT OF JUSTICE			
16.017	Sexual Assault Services Formula Program	$378,035	$396,914
16.034	COVID-19 - Coronavirus Emergency Supplemental Funding Program	$47,876	$52,143
16.528	Enhanced Training and Services to End Violence and Abuse of Women Later in Life		$107,007
16.540	Juvenile Justice and Delinquency Prevention	$398,104	$432,901
16.543	Missing Children's Assistance		$255,093
16.554	National Criminal History Improvement Program (NCHIP)		$835,029
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants		$116,677
	Bozeman Public Schools 2014-MU-0017 (UM #1)		$3,665
16.575	Crime Victim Assistance	$7,324,899	$8,756,550
	State of Wyoming 2016-VA-GX-0051		$628
16.576	Crime Victim Compensation		$416,685
16.582	Crime Victim Assistance/Discretionary Grants		$694,266
	National Association of VOCA Assistance Administrators CAP20-0368		$4,990
16.585	Drug Court Discretionary Grant Program		$732,773
	Tribal Law and Policy Institute 2018-MU-MU-K001		$392,279
16.588	Violence Against Women Formula Grants	$907,024	$987,575

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

		Amount to Subrecipients	Expenditures
16.589	Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program		
	County of Missoula 2015-WR-AX-0013		$14,607
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	$65,346	$127,621
16.593	Residential Substance Abuse Treatment for State Prisoners	$35,904	$43,786
16.606	State Criminal Alien Assistance Program		$50,978
16.609	Project Safe Neighborhoods	$92,881	$99,911
16.710	Public Safety Partnership and Community Policing Grants		$429,889
16.726	Juvenile Mentoring Program		
	National 4-H Council 4-H UNDER OJJDP 2017JUFX0016		$28
	National 4-H Council 4H NMP-9: 2018-JU-FX-0005		$51,928
16.734	Special Data Collections and Statistical Studies		$296,000
16.738	Edward Byrne Memorial Justice Assistance Grant Program	$680,670	$978,242
16.741	DNA Backlog Reduction Program		$345,721
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program		$300,400
16.745	Criminal and Juvenile Justice and Mental Health Collaboration Program	$11,186	$11,186
16.750	Support for Adam Walsh Act Implementation Grant Program		$120,034
16.751	Edward Byrne Memorial Competitive Grant Program		$101,573
16.818	Children Exposed to Violence	$69,304	$206,795
16.827	Justice Reinvestment Initiative		
	Council of State Governments 19-SA-161-2690		$163,881
16.831	Children of Incarcerated Parents		$35,718
16.833	National Sexual Assault Kit Initiative	$100,202	$461,198
16.838	Comprehensive Opioid Abuse Site-Based Program		$41,395
16.839	STOP School Violence		$197,024
16.922	Equitable Sharing Program		-$10,611
		TOTAL	**$18,252,479**
		DEPARTMENT OF JUSTICE TOTAL	**$18,252,479**
DEPARTMENT OF LABOR			
17.002	Labor Force Statistics		$602,605
17.005	Compensation and Working Conditions		$98,404
17.201	Registered Apprenticeship	$109,781	$589,874
17.225	Unemployment Insurance		$260,053,671
17.225	COVID-19 - Unemployment Insurance		$499,740,638
17.235	Senior Community Service Employment Program	$414,781	$434,726

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

		Amount to Subrecipients	Expenditures
17.245	Trade Adjustment Assistance		$317,742
17.268	H-1B Job Training Grants		
	Northern Wyoming Community College 011717-1		$409,801
17.271	Work Opportunity Tax Credit Program (WOTC)		$66,000
17.273	Temporary Labor Certification for Foreign Workers		$190,887
17.277	WIOA National Dislocated Worker Grants / WIA National Emergency Grants	$211,447	$579,777
17.504	Consultation Agreements		$593,235
		TOTAL	**$763,677,360**
Employment Service Cluster			
17.207	Employment Service/Wagner-Peyser Funded Activities		$4,672,759
17.801	Disabled Veterans' Outreach Program (DVOP)		$622,262
17.804	Local Veterans' Employment Representative Program		$141,613
		TOTAL	**$5,436,634**
WIOA Cluster			
17.258	WIOA Adult Program	$333,358	$2,090,571
17.259	WIOA Youth Activities	$1,496,109	$2,251,089
17.278	WIOA Dislocated Worker Formula Grants	$64,558	$1,572,488
		TOTAL	**$5,914,148**
		DEPARTMENT OF LABOR TOTAL	**$775,028,142**
DEPARTMENT OF STATE			
19.009	Academic Exchange Programs - Undergraduate Programs	$354,129	$922,435
19.010	Academic Exchange Programs - Hubert H. Humphrey Fellowship Program		
	Institute of International Education HHH1901		$86,681
19.040	Public Diplomacy Programs		$9,914
19.401	Academic Exchange Programs - Scholars	$1,022,115	$1,651,630
19.415	Professional and Cultural Exchange Programs - Citizen Exchanges	$135,620	$758,586
	Institute of International Education SI_IIE1_SUBR_2017		$5,050
19.600	Bureau of Near Eastern Affairs		
	Georgetown University MSU-20190310		$54,484
	Georgetown University S-NEAAC-17-CA-1016		$124,134
		TOTAL	**$3,612,914**
		DEPARTMENT OF STATE TOTAL	**$3,612,914**

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

		Amount to Subrecipients	Expenditures
DEPARTMENT OF THE INTERIOR			
15.025	Services to Indian Children, Elderly and Families		$49,030
15.034	Agriculture on Indian Lands		
	Fort Belknap Community Council A10AV00583		$57,984
15.130	Indian Education Assistance to Schools		$78,896
15.224	Cultural and Paleontological Resources Management		$27,117
15.225	Recreation and Visitor Services		$25,157
15.228	BLM Wildland Urban Interface Community Fire Assistance		$24,972
15.230	Invasive and Noxious Plant Management		$40,400
15.231	Fish, Wildlife and Plant Conservation Resource Management		$85,307
15.236	Environmental Quality and Protection		$880,465
15.239	Management Initiatives		$4,979
15.244	Fisheries and Aquatic Resources Management		$6,442
15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining		$2,081,022
15.252	Abandoned Mine Land Reclamation (AMLR)		$2,084,458
15.427	Federal Oil and Gas Royalty Management State and Tribal Coordination		$538,754
15.514	Reclamation States Emergency Drought Relief		$36,560
15.517	Fish and Wildlife Coordination Act		$903,928
15.524	Recreation Resources Management		$97,277
15.608	Fish and Wildlife Management Assistance		$80,131
15.623	North American Wetlands Conservation Fund		$100,000
15.628	Multistate Conservation Grant		
	North Carolina State University 2018-0319-06		$182
15.634	State Wildlife Grants		$697,304
15.637	Migratory Bird Joint Ventures	$8,000	$8,000
15.657	Endangered Species Conservation – Recovery Implementation Funds		$234,058
	Wildlife Management Institute WNS 2018-08 (58185)		$9,958
15.660	Endangered Species - Candidate Conservation Action Funds		$57,751
	State of Utah 186103		$120
15.663	National Fish and Wildlife Foundation		$14,704
15.666	Endangered Species Conservation-Wolf Livestock Loss Compensation and Prevention	$90,000	$120,000
15.670	Adaptive Science		$261,423
15.678	Cooperative Ecosystem Studies Units		$2,762
15.904	Historic Preservation Fund Grants-In-Aid	$77,464	$734,370
15.916	Outdoor Recreation Acquisition, Development and Planning	$408,835	$555,570

The accompanying notes are an integral part of this schedule.

		Amount to Subrecipients	Expenditures
15.945	Cooperative Research and Training Programs – Resources of the National Park System		$40,875
15.959	Education Program Management		
	Cherokee School A187AV00723		$16,973
	Indian Island School A19AV00895		$16,433
	KHA'O'P Community School A18AV00750		$16,842
	Little Eagle Grant A17AV00680/A18AV00348		$7,775
	Paschal Sherman A17AV00680/A18AV00348		$16,133
	Shiprock Associated Schools, Inc. A17AV00693		$11,264
15.UXX	Miscellaneous Non-Major Grants		$54,684
		TOTAL	**$10,080,060**
Fish and Wildlife Cluster			
15.605	Sport Fish Restoration		$7,792,022
15.611	Wildlife Restoration and Basic Hunter Education		$17,774,649
15.626	Enhanced Hunter Education and Safety		$75,112
		TOTAL	**$25,641,783**
		DEPARTMENT OF THE INTERIOR TOTAL	**$35,721,843**
DEPARTMENT OF TRANSPORTATION			
20.106	Airport Improvement Program		$450,810
20.106	COVID-19 - Airport Improvement Program		$212,432
20.200	Highway Research and Development Program		$201,219
20.215	Highway Training and Education		$150,000
20.218	Motor Carrier Safety Assistance		$2,997,476
20.232	Commercial Driver's License Program Implementation Grant		$38,823
20.237	Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements		$275,708
20.240	Fuel Tax Evasion-Intergovernmental Enforcement Effort		$2,398
20.301	Railroad Safety		$4,918
20.505	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	$418,192	$461,706
20.509	Formula Grants for Rural Areas	$5,406,175	$6,441,918
20.509	COVID-19 - Formula Grants for Rural Areas	$5,728,981	$5,784,009
20.608	Minimum Penalties for Repeat Offenders for Driving While Intoxicated	$185,017	$651,959
20.614	National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements		$100,503
20.700	Pipeline Safety Program State Base Grant		$139,679

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

		Amount to Subrecipients	Expenditures
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	$123,121	$154,364
20.933	National Infrastructure Investments		$6,899,154
		TOTAL	**$24,967,076**
Federal Transit Cluster			
20.526	Bus and Bus Facilities Formula Program	$1,846,844	$1,846,844
		TOTAL	**$1,846,844**
Highway Planning and Construction Cluster			
20.205	Highway Planning and Construction	$3,652,765	$529,308,201
20.219	Recreational Trails Program	$1,850,539	$1,943,270
20.224	Federal Lands Access Program		$4,310,747
		TOTAL	**$535,562,218**
Highway Safety Cluster			
20.600	State and Community Highway Safety	$218,038	$1,118,351
20.616	National Priority Safety Programs	$544,993	$2,391,546
		TOTAL	**$3,509,897**
Transit Services Programs Cluster			
20.513	Enhanced Mobility of Seniors and Individuals with Disabilities	$953,132	$993,582
		TOTAL	**$993,582**
		DEPARTMENT OF TRANSPORTATION TOTAL	**$566,879,617**
DEPARTMENT OF TREASURY			
21.019	COVID-19 - Coronavirus Relief Fund	$79,527,728	$93,151,036
	Butte Silver Bow MT20-114		$11,489
21.UXX	Miscellaneous Non-Major Grants		$5,992
		TOTAL	**$93,168,517**
		DEPARTMENT OF TREASURY TOTAL	**$93,168,517**
DEPARTMENT OF VETERANS AFFAIRS			
64.005	Grants to States for Construction of State Home Facilities		$6,080,597
64.014	Veterans State Domiciliary Care		$197,412
64.015	Veterans State Nursing Home Care		$7,466,808
64.124	All-Volunteer Force Educational Assistance		$63,187
64.203	Veterans Cemetery Grants Program		$1,644,783
		TOTAL	**$15,452,787**
		DEPARTMENT OF VETERANS AFFAIRS TOTAL	**$15,452,787**

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

		Amount to Subrecipients	Expenditures
ELECTION ASSISTANCE COMMISSION			
90.404	2018 HAVA Election Security Grants	$1,347,246	$1,644,219
		TOTAL	**$1,644,219**
		ELECTION ASSISTANCE COMMISSION TOTAL	**$1,644,219**
ENVIRONMENTAL PROTECTION AGENCY			
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act		$353,685
66.040	State Clean Diesel Grant Program		$259,275
66.202	Congressionally Mandated Projects		$8,001
66.204	Multipurpose Grants to States and Tribes		$12,484
66.419	Water Pollution Control State, Interstate, and Tribal Program Support		$108,077
66.433	State Underground Water Source Protection		$187,250
66.454	Water Quality Management Planning		$87,845
66.460	Nonpoint Source Implementation Grants		$2,049,870
66.461	Regional Wetland Program Development Grants		$80,430
66.514	Science To Achieve Results (STAR) Fellowship Program		$7,185
66.516	P3 Award: National Student Design Competition for Sustainability		$6,090
66.605	Performance Partnership Grants		$5,161,310
66.608	Environmental Information Exchange Network Grant Program and Related Assistance		$535,938
66.708	Pollution Prevention Grants Program		$291,270
66.716	Research, Development, Monitoring, Public Education, Outreach, Training, Demonstrations, and Studies		
	eXtension Foundation SA-2020-59		$8,793
	eXtension Foundation SA-2019-61		$14,858
	eXtension Foundation SA-2017-67		($13,509)
66.717	Source Reduction Assistance		$19,735
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements		$1,924,740
66.804	Underground Storage Tank Prevention, Detection and Compliance Program		$341,517
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program		$563,419
66.809	Superfund State and Indian Tribe Core Program Cooperative Agreements		$247,206
66.817	State and Tribal Response Program Grants		$681,555
		TOTAL	**$12,937,024**
Clean Water State Revolving Fund Cluster			
66.458	Capitalization Grants for Clean Water State Revolving Funds		$305,240,100
		TOTAL	**$305,240,100**

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

		Amount to Subrecipients	Expenditures
Drinking Water State Revolving Fund Cluster			
66.468	Capitalization Grants for Drinking Water State Revolving Funds		$178,551,711
		TOTAL	**$178,551,711**
		ENVIRONMENTAL PROTECTION AGENCY TOTAL	**$496,728,835**
EQUAL EMPLOYMENT OPPORTUNITY COMMISSION			
30.001	Employment Discrimination Title VII of the Civil Rights Act of 1964		$9,635
		TOTAL	**$9,635**
		EQUAL EMPLOYMENT OPPORTUNITY COMMISSION TOTAL	**$9,635**
EXECUTIVE OFFICE OF THE PRESIDENT			
95.001	High Intensity Drug Trafficking Areas Program		$36,949
		TOTAL	**$36,949**
		EXECUTIVE OFFICE OF THE PRESIDENT TOTAL	**$36,949**
GENERAL SERVICES ADMINISTRATION			
39.003	Donation of Federal Surplus Personal Property		$84,100
39.011	Election Reform Payments		$105,177
		TOTAL	**$189,277**
		GENERAL SERVICES ADMINISTRATION TOTAL	**$189,277**
INSTITUTE OF MUSEUM AND LIBRARY SERVICES			
45.301	Museums for America		$15,444
45.310	Grants to States		$1,018,539
45.312	National Leadership Grants	$52,472	$122,863
		TOTAL	**$1,156,846**
		INSTITUTE OF MUSEUM AND LIBRARY SERVICES TOTAL	**$1,156,846**
LIBRARY OF CONGRESS			
42.UXX	Miscellaneous Non-Major Grants		$5,300
		TOTAL	**$5,300**
		LIBRARY OF CONGRESS TOTAL	**$5,300**
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			
43.001	Science		$106,479
	Space Science Institute 950		$1,470
	University of Washington UWSC8987		$69,994

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

		Amount to Subrecipients	Expenditures
43.008	Education		
	Sciencenter 2016-01-UMT/NNX16AM22G		$3,171
		TOTAL	**$181,114**
		NATIONAL AERONAUTICS AND SPACE ADMINISTRATION TOTAL	**$181,114**
NATIONAL ARCHIVES AND RECORDS ADMINISTRATION			
89.003	National Historical Publications and Records Grants		$8,800
		TOTAL	**$8,800**
		NATIONAL ARCHIVES AND RECORDS ADMINISTRATION TOTAL	**$8,800**
NATIONAL ENDOWMENT FOR THE ARTS			
45.024	Promotion of the Arts Grants to Organizations and Individuals		$70,317
	Arts Midwest AM CASE #00023805		$24,994
	Arts Midwest 00021928		$8
45.025	Promotion of the Arts Partnership Agreements	$416,582	$769,126
		TOTAL	**$864,445**
		NATIONAL ENDOWMENT FOR THE ARTS TOTAL	**$864,445**
NATIONAL ENDOWMENT FOR THE HUMANITIES			
45.129	Promotion of the Humanities Federal/State Partnership		
	Humanities Montana 20R007		$1,000
	Humanities Montana 20R005		$824
	Humanities Montana 18R034		$800
	Humanities Montana 17R025		$2,874
45.149	Promotion of the Humanities Division of Preservation and Access		$217,942
	Idaho State Historical Society PJ-261034-18		$18,337
45.160	Promotion of the Humanities Fellowships and Stipends		$47,212
45.161	Promotion of the Humanities Research		$20,671
45.162	Promotion of the Humanities Teaching and Learning Resources and Curriculum Development		$7,220
45.163	Promotion of the Humanities Professional Development		$70,102
		TOTAL	**$386,982**
		NATIONAL ENDOWMENT FOR THE HUMANITIES TOTAL	**$386,982**

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State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

		Amount to Subrecipients	Expenditures
PEACE CORPS			
45.400	Peace Corps' Global Health and PEPFAR Initiative Program		$24,511
		TOTAL	**$24,511**
		PEACE CORPS TOTAL	**$24,511**
SMALL BUSINESS ADMINISTRATION			
59.037	Small Business Development Centers		$807,619
	Montec 2019-518		$72,389
59.037	COVID-19 - Small Business Development Centers		$23,552
59.058	Federal and State Technology Partnership Program		$118,963
59.061	State Trade Expansion		$374,436
		TOTAL	**$1,396,959**
		SMALL BUSINESS ADMINISTRATION TOTAL	**$1,396,959**
SOCIAL SECURITY ADMINISTRATION			
96.008	Social Security - Work Incentives Planning and Assistance Program	$66,392	$203,636
		TOTAL	**$203,636**
Disability Insurance/SSI Cluster			
96.001	Social Security Disability Insurance		$6,215,142
		TOTAL	**$6,215,142**
		SOCIAL SECURITY ADMINISTRATION TOTAL	**$6,418,778**

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

Research and Development Cluster		Amount to Subrecipients	Expenditures
AGENCY FOR INTERNATIONAL DEVELOPMENT			
98.001	USAID Foreign Assistance for Programs Overseas		
	Rutgers, The State University of New Jersey S19050: PO#1137707		$20,962
		AGENCY FOR INTERNATIONAL DEVELOPMENT TOTAL	**$20,962**
DEPARTMENT OF AGRICULTURE			
Agricultural Research Service			
10.001	Agricultural Research Basic and Applied Research		$400,178
	South Dakota State University 3TN612		($36)
	Washington State University 134967-G003986		$7,849
Animal and Plant Health Inspection Service			
10.025	Plant and Animal Disease, Pest Control, and Animal Care		$263,855
	Utah State University 200592-390		$18,928
Economic Research Service			
10.250	Agricultural and Rural Economic Research, Cooperative Agreements and Collaborations		$8,117
Foreign Agricultural Service			
10.610	Export Guarantee Program	$33,682	$38,188
10.960	Technical Agricultural Assistance		
	Rutgers, The State University of New Jersey SA#5566; PO 566945		$40
Forest Service			
10.652	Forestry Research	$65,000	$3,305,432
	Hydrosolutions MSA 2017-TO1		$28,639
	National Wilderness Stewardship Alliance WI2020		$61
	NatureServe MT-027-FY20		$863
	Tall Timbers Research UM-2020-288		$3,940
	University of Vermont 29034SUB52911		$48,324
10.664	Cooperative Forestry Assistance		$9,611
10.672	Rural Development, Forestry, and Communities		($19)
10.680	Forest Health Protection	$17,501	$161,875
	Salish Kootania College 2015-38424-24031		$1,928
10.682	National Forest Foundation		$459
10.684	International Forestry Programs		$238,469

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

Research and Development Cluster		Amount to Subrecipients	Expenditures
10.699	Partnership Agreements		$97,839
	University of Maine UMS-1216		$16,227
10.707	Research Joint Venture and Cost Reimbursable Agreements		$85,494
Miscellaneous			
10.RD	Miscellaneous Research and Development		$219,367
	University of California, Davis A17-0837-S001		$24,004
	University of Illinois Urbana-Champaign 078863-16983		$50,523
National Institute of Food and Agriculture			
10.200	Grants for Agricultural Research, Special Research Grants		
	North Dakota State University FAR0030566		$7,353
	North Dakota State University FAR0031981		$16,288
	University of California, Davis A19-3981-S001		$11,457
	University of Idaho AP1008-SB1-870848/P0057780		$12,100
	Washington State Department of Transportation T6737 TASK 13		$2,179
10.202	Cooperative Forestry Research		$653,385
10.203	Payments to Agricultural Experiment Stations Under the Hatch Act		$2,603,379
10.207	Animal Health and Disease Research		$52,739
10.215	Sustainable Agriculture Research and Education	$960,043	$1,872,105
	South Dakota State University 3TC473		$588
	Utah State University 200592-385		$1,707
	Utah State University 200592-395	$22,400	$90,118
	Utah State University 200592-390		$61,418
	Utah State University 150893-00001-174		$27,660
	Utah State University 201207-587		$19,934
	Utah State University 201207-554		$10,019
	Utah State University 201207-597		$6,354
	Utah State University 201207-504		$2,339
	Utah State University 200592-447		$1
	Utah State University 200592-384		$4,640
10.217	Higher Education - Institution Challenge Grants Program	$90,042	$214,685
10.226	Secondary and Two-Year Postsecondary Agriculture Education Challenge Grants		$184,710

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

Research and Development Cluster		Amount to Subrecipients	Expenditures
10.227	1994 Institutions Research Program		
	Fort Peck Community College FPCC-092018-001		$1,479
	Little Big Horn College USDA NIFA TO LBHC TO MSU		$7,439
	Salish Kootania College 1		$649
	Salish Kootania College 2016-38424-2558		$3,788
	Salish Kootania College 2		$20,740
	Salish Kootenai College MSU#1: 2017-38424-27077		$22,812
10.303	Integrated Programs		$597
10.304	Homeland Security Agricultural		
	Kansas State University A00-0280-S002-A03 (S17045.03)		$46,597
10.307	Organic Agriculture Research and Extension Initiative	$166,537	$394,745
	National Center for Appropriate Technology BELASCO		$1,554
	Utah State University 202524-663		$28,393
10.309	Specialty Crop Research Initiative	$406,676	$750,436
	Colorado State University G-1363-04		$8,280
	Cornell University 73999-10426		$1,749
	University of Minnesota H007082503		$26,335
	University of Tennessee 8500042739		$11,895
10.310	Agriculture and Food Research Initiative (AFRI)	$179,337	$1,243,427
	Colorado State University G-91600-2		($6)
	Colorado State University G-91600-3		$9,214
	Kansas State University S15184		$36,195
	University of California, Davis 201603566-08		$115,415
	University of Illinois Urbana-Champaign 078891-1539		$35,479
	University of Nebraska-Lincoln 25-6268-0005-004		($186)
	University of New Hampshire L0015		$9,199
	University of Vermont 29034SUB51753		$42,654
10.312	Biomass Research and Development Initiative Competitive Grants Program (BRDI)	$115,866	$322,511
10.318	Women and Minorities in Science, Technology, Engineering, and Mathematics Fields		$26,336
10.329	Crop Protection and Pest Management Competitive Grants Program	$12,819	$348,617
	University of California, Davis SA14-2309-34		
	University of California, Davis SA14-2309-52		$10,008

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

Research and Development Cluster		Amount to Subrecipients	Expenditures
10.330	Alfalfa and Forage Research Program	$19,985	$51,629
	University of California, Davis A18-0619-S003		$887
10.500	Cooperative Extension Service		$3,074,073
	Washington State University 134194 G004012		$774
Natural Resources Conservation Service			
10.902	Soil and Water Conservation		$297,728
	Nature Conservancy MTBU122118_JB		$20,091
	Pheasants Forever LPCI 18-01	$56,353	$59,214
	Pheasants Forever 68-3A75-16-736		$156,739
10.903	Soil Survey		$175,844
10.912	Environmental Quality Incentives Program		$31,676
Risk Management Agency			
10.460	Risk Management Education Partnerships		$47,337
Rural Business Cooperative Service			
10.350	Technical Assistance to Cooperatives		
	National Association of Development Organizations 483.01		$5,032
	National Association of Development Organizations 800.01		$112,372
	National Association of Development Organizations 482.01		$457
USDA, Office of the Chief Economist			
10.290	Agricultural Market and Economic Research		$15,199
		DEPARTMENT OF AGRICULTURE TOTAL	**$18,460,716**
DEPARTMENT OF COMMERCE			
Economic Development Administration			
11.020	Cluster Grants	$24,545	$159,604
National Institute of Standards and Technology			
11.609	Measurement and Engineering Research and Standards		$434
National Oceanic and Atmospheric Administration			
11.431	Climate and Atmospheric Research		$136,964
	University Corporation for Atmospheric Research SUBSAWD000858		$187,897
11.438	Pacific Coast Salmon Recovery Pacific Salmon Treaty Program		
	Alaska Department of Fish and Game AKSSF-53005		$826
11.440	Environmental Sciences, Applications, Data, and Education		$222

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

Research and Development Cluster		Amount to Subrecipients	Expenditures
11.459	Weather and Air Quality Research		$88,947
11.472	Unallied Science Program		
	North Pacific Research Board 1718B		$22,636
U.S. Census Bureau			
11.016	Statistical, Research, and Methodology Assistance		$7,494
		DEPARTMENT OF COMMERCE TOTAL	**$605,024**
DEPARTMENT OF DEFENSE			
Advanced Research Projects Agency			
12.910	Research and Technology Development	$2,089,686	$2,996,714
	North Carolina State University 2016-2896-04		$283,874
Defense Logistics Agency			
12.002	Procurement Technical Assistance For Business Firms		
	Big Sky Economic Development Authority SP4800-18-2-1822		$10,706
Department of the Air Force			
12.800	Air Force Defense Research Sciences Program	$340,478	$18,563,958
	S2 Corp		$109,448
	S2 Corp #S2-1954-19-01A (3B)		$200,317
	S2 Corp #S2-1954-19-01F (3A)		$211,051
	University of Minnesota A005720602		$112,867
Department of the Army			
12.005	Conservation and Rehabilitation of Natural Resources on Military Installations	$4,522	$275,236
12.114	Collaborative Research and Development		$3,859
	West Point Military Academy		$5,785
12.420	Military Medical Research and Development	$95,971	$449,759
	Baylor College 7000001103		$18,896
	University of California, Davis A19-0382-S001		$35,783
12.431	Basic Scientific Research	$74,557	$5,289,298
Department of the Navy			
12.300	Basic and Applied Scientific Research		$415,606
	Blackmore Sensor and Analytics		$34,190
	Pennsylvania State University S000044-ONR		$174,656
	TPS Assoicates Inc. PO MSU-7971/3002		$90,788

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

Research and Development Cluster		Amount to Subrecipients	Expenditures
Miscellaneous			
12.RD	Miscellaneous Research and Development		$3,830,405
	Charles River Analytics SC1812501		$132,680
	Duke University 313-0873		$59,386
	Duke University SUBCONTRACT NUMBER 313-0742		$134,729
	Nutronics, Inc. SUBK-MSU-VDHWFS2-01-012720		$39,288
	Nutronics, Inc. SUBK-MSU-NLAO-01-100518		$948
	S2 Corp S2-1025-19-01		$196,821
	Spectral Energies SB1911-001-1		$30,191
	Tufts University ARM212-MSU/ PO# EP0166321		$9,649
	University of Maryland 31236-Z8409102		$4,989
Office of the Secretary of Defense			
12.630	Basic, Applied, and Advanced Research in Science and Engineering		
	National Science Teachers Association 20-871-014		$24,947
	Technology Student Association		$46,279
12.632	Legacy Resource Management Program		$48
		DEPARTMENT OF DEFENSE TOTAL	**$33,793,151**
DEPARTMENT OF EDUCATION			
Institute of Education Sciences			
84.305	Education Research, Development and Dissemination		
	SRI International 51-001312		$192,037
	University of Missouri C00064217-1		$172,514
Office of Elementary and Secondary Education			
84.299	Indian Education -- Special Programs for Indian Children		$99,555
Office of Innovation and Improvement			
84.336	Teacher Quality Partnership Grants		$155,096
Office of Postsecondary Education			
84.116	Fund for the Improvement of Postsecondary Education		
	Western Interstate Commission for Higher Education		$85
84.217	TRIO McNair Post-Baccalaureate Achievement		$230,192
		DEPARTMENT OF EDUCATION TOTAL	**$849,479**

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

Research and Development Cluster		Amount to Subrecipients	Expenditures
DEPARTMENT OF ENERGY			
81.049	Office of Science Financial Assistance Program	$138,630	$1,180,613
	Amethyst Research Inc		$13,327
	Bonneville Power Adminstration IAA 82184		$9,266
	Glacigen Materials, Inc.		($35)
	Montana Emergent Technologies		($10,443)
	Montana Emergent Technologies		$53,550
	University of Wyoming 1002415-MT		$89,666
	Washington State University 132345-G003797		$108,662
	Washington State University 132345 G004119		$14,408
	Washington State University 134124-G003968		$34,869
	Yale University GR104542 (CON-80001480)		$181,492
81.086	Conservation Research and Development	$69,954	$3,426,979
81.087	Renewable Energy Research and Development	$264,331	$437,977
	Bridger Photonics DOE WATER VAPOR SUB		$3,504
	Clemson University 2107-219-2023054		$116,534
	Michigan State University RC107739		$133,790
	University of Toledo F-2019-14		$292,118
81.089	Fossil Energy Research and Development	$156,292	$692,368
	New Mexico Institute of Mining P0019650		$19,852
81.121	Nuclear Energy Research, Development and Demonstration		$199,721
81.135	Advanced Research Projects Agency - Energy		
	Cornell University 84185-11060		$1,836
Miscellaneous			
81.RD	Miscellaneous Research and Development		
	Idaho National Laboratory 230444		$5,291
	Idaho National Laboratory 223911		$6,000
	Sandia National Laboratories 2151826		$26,456
	Sandia National Laboratories 1663302		$26,224
	Sandia National Laboratories 1922244		$45,340
		DEPARTMENT OF ENERGY TOTAL	**$7,109,365**

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

Research and Development Cluster		Amount to Subrecipients	Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Administration for Children and Families			
93.670	Child Abuse and Neglect Discretionary Activities		
	Futures Without Violence 2756		$13,192
	Futures Without Violence 3075		$21,095
Administration for Community Living			
93.433	ACL National Institute on Disability, Independent Living, and Rehabilitation Research	$32,897	$846,379
	Institute for Rehabilitation and Research 18-PDR-01		$1,737
	Institute for Rehabilitation and Research 19-MS2-017		$12,176
	Institute for Rehabilitation and Research 2020-YR4-UMONTANA-SCIMS		$34,198
	University of Kansas FY2017-048-M3 A3	$57,432	$181,823
	University of Kansas FY2017-048	$22,759	$59,873
Centers for Disease Control and Prevention			
93.136	Injury Prevention and Control Research and State and Community Based Programs	$209,891	$435,379
93.262	Occupational Safety and Health Program		$169,606
	Pennsylvania State University 5965-MSU-CSU-1107		$5,872
	Utah State University 202633-668		$22,244
93.772	Tribal Public Health Capacity Building and Quality Improvement Umbrella Cooperative Agreement		
	Rocky Mountain Tribal Leaders NU38OT000275-01		$16,583
Food and Drug Administration			
93.103	Food and Drug Administration Research		$15,262
Health Resources and Services Administration			
93.107	Area Health Education Centers	$441,386	$738,572
93.155	Rural Health Research Centers		
	National Rural Health Association NRHA 2019		$4,188
	National Rural Health Association NRHA 2020		$6,300
93.247	Advanced Nursing Education Workforce Grant Program		$396,619
93.300	National Center for Health Workforce Analysis		
	State University of New York at Albany 3-86321		$19,800
93.301	Small Rural Hospital Improvement Grant Program	$447,422	$597,604
93.359	Nurse Education, Practice Quality and Retention Grants	$105,625	$632,072

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

Research and Development Cluster		Amount to Subrecipients	Expenditures
93.913	Grants to States for Operation of State Offices of Rural Health		$191,315
Indian Health Service			
93.933	Demonstration Projects for Indian Health		
	Blackfeet Community College 2014-01-MSU		$2,580
93.970	Health Professions Recruitment Program for Indians		$69,670
Miscellaneous			
93.RD	Miscellaneous Research and Development	$1,446,733	$5,414,300
	Boston Children's Hospital GENFD0001583403		$758,671
	Duke University 7273 POPS V		$7,624
	ICF International 18BBSK0053 (HHSN26100014)		$20,092
National Institutes of Health			
93.113	Environmental Health	$272,093	$1,078,401
	Meadowlark Science and Education, LLC UM_ES01A1		($6,126)
	Michigan State University RC107307MON		$62,906
	Scripps Research Institute 5-53234		($402)
	University of New Mexico 3RY74 PILOT PROJECT		($806)
	University of New Mexico 3RY74		$79,671
	University of Rochester R0AES030940-01		$163,101
	University of Rochester 417656G/UR FAO GR510992		$20,523
93.121	Oral Diseases and Disorders Research		$63,960
93.172	Human Genome Research		
	Institute for Systems Biology 2018.0008		$178,368
	Southcentral Foundation 2018-201		$103,608
93.173	Research Related to Deafness and Communication Disorders		
	Massachusetts General Hospital 300315		$224,988
	MGH Institute of Health Professions 300326-01		$1,260
	Promiliad Biopharma R41-DC017641-01		$52,240
93.213	Research and Training in Complementary and Integrative Health		$1
	Flat Earth Inc NIH SUMMER INTERNSHIPS		$14,604
93.242	Mental Health Research Grants		$88,814
	Advanced Medical Electronics Corporation AME19_ANIMALHEADSTAGE-07		$82,997
	University of Washington UWSC10191 (BPO28076)		$19,724

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

Research and Development Cluster		Amount to Subrecipients	Expenditures
93.273	Alcohol Research Programs	$159,870	$223,771
93.279	Drug Abuse and Addiction Research Programs		$115,975
	Yale University GK000120 (CON-80000426)		$12,068
93.286	Discovery and Applied Research for Technological Innovations to Improve Human Health	$25,211	$535,159
93.307	Minority Health and Health Disparities Research	$480,497	$1,002,534
93.350	National Center for Advancing Translational Sciences		$51,469
	University of Washington BPO26008 / UWSC9979		$16,980
	University of Washington UWSC 9979		$24,329
93.351	Research Infrastructure Programs		$10,961
93.361	Nursing Research		
	Medical College of Wisconsin PO:6105504 (PREVIOUS #1759446)		$16,632
	University of Florida UFDSP00012150		$135,466
93.393	Cancer Cause and Prevention Research		$469,716
93.778	Medical Assistance Program	$155,430	$0
93.837	Cardiovascular Diseases Research		$48,167
93.838	Lung Diseases Research		$277,442
93.846	Arthritis, Musculoskeletal and Skin Diseases Research		$342,059
93.847	Diabetes, Digestive, and Kidney Diseases Extramural Research	$191,304	$1,673,711
93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders	$324,294	$1,584,982
	University of Washington UWSC10752/ BPO34774		$11,610
	University of Washington UWSC10752/ BP034774		$13,103
	Yale University M17A12590-GR104248 (80001410)		$879
93.855	Allergy and Infectious Diseases Research	$1,475,721	$5,223,002
	Albert Einstein College of Med P0767522 (SUB NO: 31194A)		$14,904
	Emory University A156367		$104,354
	Harvard University 114487-5109468		$26,217
	Indiana University PO1464301		($4)
	Intact Genomics, Inc. 18_8765MTU		$6
	Promiliad Biopharma R42AI118104		$159,031
	University of Conneticut PO 50074		$5,104
	University of Florida UFDSP00011787		$78
	University of Kentucky PO7800004770/3200002108-19-191		$22,104

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

Research and Development Cluster		Amount to Subrecipients	Expenditures
	University of Louisville Research Foundation, Inc. ULRF 17-0750-01		$29,535
	University of Maryland 1600589, PO# SR00005156		$21,458
	University of Notre Dame 202953MSU		$148,685
93.859	Biomedical Research and Research Training	$1,984,184	$16,246,356
	City of Missoula 1R2SGM132950-01		$27,046
	Meadowlark Science and Education, LLC UM-OD01		$69,852
	Meadowlark Science and Education, LLC UM_GEN01		$31,611
	Northwest Indian College NWIC-SA24226-MSU		$82,194
	Oklahoma State University 5-554009		$19,772
	Rutgers, The State University of New Jersey PO# 663268/ SUBAWARD #0222		$119,199
	University of Alaska PO538440		$3,650
	University of Alaska UAA 20-0113		$25,254
	University of Nevada, Las Vegas GR07331 UMT-06-04-PILOT		$2,812
	University of Nevada, Las Vegas GR09462 UMT-07-01-CP3		$115,240
	University of Nevada, Las Vegas GR09462 UMT-07-01-BERD		$26,633
	University of Nevada, Las Vegas GR:07331		$1,628
	University of Nevada, Las Vegas GR07331 DTTG SLOVARP		$534
	University of Nevada, Las Vegas GR09462 UMT-07-01-CEO		$86,215
	University of Nevada, Las Vegas GR07325		$843
	University of Nevada, Las Vegas TASK MSU-07-02-CEO (GR09456)		$16,168
	University of Nevada, Las Vegas TASK MSU-07-01-BERD (GR09456)		$26,726
	University of New Mexico 3REV9		$113,227
	University of New Mexico Health Sciences Center 3REV9		$34,310
	University of Utah 10047369-S2		$21,638
	University of Utah PO U000148335 / 10047369-S2		$26,730
	University of Washington UWSC9319		$139,459
93.865	Child Health and Human Development Extramural Research		$886,919
	University of Arkansas 51460		$15,697
	University of Arkansas 51460 PO#G190121109		$140,476
	University of Arkansas for Medical Sciences		$344
	Washington University WU-20-478		$46,891
93.866	Aging Research		$2,111

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

Research and Development Cluster		Amount to Subrecipients	Expenditures
	Johns Hopkins University 2003050472		$19,805
	Michigan State University RC108877UM		$43,269
	University of Washington UWSC10030/BPO26347		$111,540
93.867	Vision Research		$5,613
	University of California, Berkeley SUBAWARD NO. 00010266		$37,444
	University of California, Berkeley PO #BB01134177		$4,636
93.879	Medical Library Assistance		
	Augusta University Research Institute, Inc. 32242-1		$15,410
	Baylor College 7000000701		$33,631
Office of the Secretary			
93.001	Civil Rights and Privacy Rule Compliance Activities		
	Arrevus Inc		($2,435)
Substance Abuse and Mental Health Services Administration			
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance		
	Browning Schools 2586-001		$35,031
		DEPARTMENT OF HEALTH AND HUMAN SERVICES TOTAL	**$43,877,624**
DEPARTMENT OF HOMELAND SECURITY			
97.RD	Miscellaneous Non-Major Grants		$1,527,489
		DEPARTMENT OF HOMELAND SECURITY TOTAL	**$1,527,489**
DEPARTMENT OF JUSTICE			
Office of Justice Programs			
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants		$106,268
		DEPARTMENT OF JUSTICE TOTAL	**$106,268**
DEPARTMENT OF STATE			
Bureau of Educational and Cultural Affairs			
19.408	Academic Exchange Programs - Teachers		
	International Research and Exchanges Board FY20-FTEA-MSU-01		($170)
	International Research and Exchanges Board FY19-FTEA-MSU-01		$199,066
19.415	Professional and Cultural Exchange Programs - Citizen Exchanges		
	Institute of International Education ASPEN INSTITUTE SI IIEI 2017		($456)

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

Research and Development Cluster		Amount to Subrecipients	Expenditures
Bureau of Near Eastern Affairs			
19.600	Bureau of Near Eastern Affairs		
	Georgetown University MSU-GR205769		$6,262
		DEPARTMENT OF STATE TOTAL	**$204,702**
DEPARTMENT OF THE INTERIOR			
Bureau of Indian Affairs			
15.035	Forestry on Indian Lands		
	Salish Kootania College NBR-19-01		$22,451
15.043	Indian Child and Family Education		$21,846
Bureau of Land Management			
15.224	Cultural and Paleontological Resources Management		$152,870
	Society for California Archaeology		$5,020
15.225	Recreation and Visitor Services		$2,581
15.228	BLM Wildland Urban Interface Community Fire Assistance		$9,292
15.230	Invasive and Noxious Plant Management	$5,000	$61,314
15.231	Fish, Wildlife and Plant Conservation Resource Management		$309,116
15.232	Wildland Fire Research and Studies		$114,693
	Utah State University 200588-00001-294		$2,155
15.236	Environmental Quality and Protection	$260,356	$321,005
15.238	Challenge Cost Share		$79,639
15.247	Wildlife Resource Management		$99,358
Bureau of Reclamation			
15.517	Fish and Wildlife Coordination Act		
	Whitefish Lake Institute RD-WLI-591		$2,591
15.530	Water Conservation Field Services (WCFS)		
	Farmer Canal Company of Gallatin County R17AP00325		$2,190
Miscellaneous			
15.RD	Miscellaneous Research and Development		$630,405
	Oregon State University L0212A-A		$201,721
	Oregon State University L0205A-A		$209,286
	PG Environmental, LLC 50002/001		$57,532
	PG Environmental, LLC 50002.001		$139,043

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State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

Research and Development Cluster		Amount to Subrecipients	Expenditures
	Portland State University 100130		$46,745
	Portland State University 100145		$38,228
	Portland State University 100006		$224,518
	RRC Associates 33172.002		$3,797
National Park Service			
15.915	Technical Preservation Services		$30
15.926	American Battlefield Protection		$13,777
15.944	Natural Resource Stewardship		$177,434
15.945	Cooperative Research and Training Programs – Resources of the National Park System	$78,318	$838,968
15.954	National Park Service Conservation, Protection, Outreach, and Education		$19,465
Office of Surface Mining, Reclamation and Enforcement			
15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining		$225,734
15.255	Science and Technology Projects Related to Coal Mining and Reclamation		$52,443
U.S. Fish and Wildlife Service			
15.605	Sport Fish Restoration		
	Wyoming Game and Fish Department 002822		$59,465
15.608	Fish and Wildlife Management Assistance		$165,353
15.611	Wildlife Restoration and Basic Hunter Education	$310,456	$2,459,173
	Colorado Parks and Wildlife 220-IGA-142182		$11,629
	Idaho Department of Fish and Game IDFG-FY19-516		$96,292
	Idaho Department of Fish and Game IDFA-MA-20151029		$39,074
	Idaho Department of Fish and Game IDFG-MA-20151029		$51,363
	Michigan State University RC108133 UMT		$25,573
	Missouri Department of Conservation 377-B		$41,232
	Missouri Department of Conservation 369-B		$32,271
	North Dakota Game and Fish Department F18AF00057		$14,684
	North Dakota Game and Fish Department W-68-R-3		$28,409
	Colorado Parks and Wildlife 17-IGA-94119		$22,765
	State of South Dakota 19CS06W008		$44,429
	State of South Dakota 19CS06W012		$208,909
15.615	Cooperative Endangered Species Conservation Fund		$23,006

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

Research and Development Cluster		Amount to Subrecipients	Expenditures
15.631	Partners for Fish and Wildlife		$52,979
	Blackfoot Challenge 2019-37		$17,814
15.634	State Wildlife Grants		
	Alaska Department of Fish and Game 19-145		$43,118
	Wyoming Game and Fish Department 003033		$22,467
15.637	Migratory Bird Joint Ventures		$28,721
15.650	Research Grants (Generic)		$21,441
15.655	Migratory Bird Monitoring, Assessment and Conservation		$17,596
15.657	Endangered Species Conservation – Recovery Implementation Funds		$351,312
	South Dakota Department of Game, Fish and Parks 19-0600-048-01		$283,168
	South Dakota Department of Game, Fish and Parks 19-0600-048		$18,785
15.663	National Fish and Wildlife Foundation		
	National Fish and Wildlife Foundation 0103.13.038862		$1,120
15.665	National Wetlands Inventory		$35,880
15.670	Adaptive Science		$20,247
	Center for Large Landscape Conservation UM-SBSI-C-18-02		$3,185
15.678	Cooperative Ecosystem Studies Units		$503,168
U.S. Geological Survey			
15.805	Assistance to State Water Resources Research Institutes	$1,476	$119,829
15.808	U.S. Geological Survey Research and Data Collection		$420,170
15.810	National Cooperative Geologic Mapping		$200,776
15.812	Cooperative Research Units		$249,359
15.814	National Geological and Geophysical Data Preservation		$73,028
15.815	National Land Remote Sensing Education Outreach and Research		
	America View Inc AV18-MT-01		$27,137
15.820	National and Regional Climate Adaptation Science Centers		
	University of Washington UWSC100967/BP041681		$45,312
	University of Washington UWSC10097/BP033702		$6,123
	University of Washington UWSC100967/BP041680		$19,669
	University of Washington UWSC10097/BPO33701		$13,584
15.980	National Ground-Water Monitoring Network		$4,586
		DEPARTMENT OF THE INTERIOR TOTAL	**$10,009,448**

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

Research and Development Cluster	Amount to Subrecipients	Expenditures
DEPARTMENT OF TRANSPORTATION		
Federal Aviation Administration		
20.109 Air Transportation Centers of Excellence		$88,674
Federal Highway Administration		
20.200 Highway Research and Development Program	$253,029	$997,087
Cadmus Group 4652FHWA-MTI-1		$9,538
California Department of Transportation 65A0606		$14
California Department of Transportation 65A0550		$134,019
California Department of Transportation 65A0604		$38,905
California Department of Transportation 65A0772		$9,141
California Department of Transportation 65A0614		
California Department of Transportation 65A0770		$16,106
California State University, Long Beach SG199416100		$7
Idaho Department of Transportation 2016-01		$42,240
Minnesota Department of Transportation 1003322 WORK ORDER NO. 4		$55,971
Minnesota Department of Transportation 1003322 WO 3		$69,051
Minnesota Department of Transportation 1003322 WORK ORDER NO. 5		$13,850
Nevada Department of Transportation P701-18-803 TASK 02		$19,633
Nevada Department of Transportation P701-18-803 TASK 01		$76,998
Nevada Department of Transportation P701-18-803 TASK 06		$5,948
South Dakota Department of Transportation 311280 SD2016-03		$13,818
Transportation Research Board HR 20-122 SUB0001256	$1,359	$22
Washington State Department of Transportation T6737 TASK 12		$33,939
20.205 Highway Planning and Construction	$12,000	$1,458,771
Center for Large Landscape Conservation		$29,931
Maryland Department of Transportation P01814 X-1	$20,199	$102,090
Minnesota Department of Transportation 1002306	$20,749	$249,202
Federal Transit Administration		
20.514 Public Transportation Research, Technical Assistance, and Training		
ICF International 19SSSK0091		$8,405

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

Research and Development Cluster		Amount to Subrecipients	Expenditures
National Highway Traffic Safety Administration			
20.600	State and Community Highway Safety		
	North Dakota Department of Transportation 12181527		$2,510
	North Dakota Department of Transportation 12191245		$23,739
20.614	National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements		$46,547
20.616	National Priority Safety Programs		
	Washington Traffic Safety Commission 2020-VENDOR CONTRACT-4004		$8,900
	Washington Traffic Safety Commission 2020-AG-3688		$32,457
	Washington Traffic Safety Commission		$49,337
	Washington Traffic Safety Commission 2019-AG-2784		$723
Office of the Secretary			
20.701	University Transportation Centers Program	$984,700	$1,584,694
		DEPARTMENT OF TRANSPORTATION TOTAL	**$5,222,267**
DEPARTMENT OF TREASURY			
Community Development Financial Institutions			
21.020	Community Development Financial Institutions Program		$56,690
		DEPARTMENT OF TREASURY TOTAL	**$56,690**
DEPARTMENT OF VETERANS AFFAIRS			
VA Health Administration Center			
64.054	Research and Development		$690,884
		DEPARTMENT OF VETERANS AFFAIRS TOTAL	**$690,884**
ENVIRONMENTAL PROTECTION AGENCY			
66.202	Congressionally Mandated Projects		
	Idaho Department of Environmental Quality 5574		$40,089
	Idaho Department of Environmental Quality S613		$59,931
66.461	Regional Wetland Program Development Grants		$65,117
	University of Wyoming 1004254-UM		($7,882)
66.509	Science To Achieve Results (STAR) Research Program		
	University of New Mexico 3RAW5		$7,528
	University of New Mexico 3RAW5 / 83615701		$24,594

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

Research and Development Cluster		Amount to Subrecipients	Expenditures
66.510	Surveys, Studies, Investigations and Special Purpose Grants within the Office of Research and Development		
	Pegasus Technical Services, Inc. #MONTS-18-001		$2,238
66.716	Research, Development, Monitoring, Public Education, Outreach, Training, Demonstrations, and Studies		$28,871
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements		
	Dine' College 1819-16-513		$14,095
66.951	Environmental Education Grants		
	Arizona State University ASUB00000207		$1,963
Miscellaneous			
66.RD	Miscellaneous Research and Development		
	Pegasus Technical Services, Inc. MONTT-19-001		$4,047
		ENVIRONMENTAL PROTECTION AGENCY TOTAL	**$240,591**
INSTITUTE OF MUSEUM AND LIBRARY SERVICES			
45.312	National Leadership Grants	$14,323	$40,685
45.313	Laura Bush 21st Century Librarian Program		$28,727
		INSTITUTE OF MUSEUM AND LIBRARY SERVICES TOTAL	**$69,412**
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			
43.001	Science	$528,107	$4,173,194
	Arizona State University 16-005		$14,473
	Bay Area Environmental Research ELA_NEX_103018		$40,962
	Bowling Green State University 10010205-UMT		$13,372
	California Institute of Technology, JPL 1587131		$354
	California Institute of Technology, JPL 1649019		$6,656
	Dartmouth College R1148		$18,119
	Dartmouth College R1060		$475,738
	Georgia Institute of Technology RH809-03		$528,619
	Lockheed Martin Corporation 8100002702		$356,489
	Princeton University SUB0000148		$24,436
	SETI Institute SC 3118		$37,190
	Smithsonian Astrophysical Observatory GO8-19069X		$25,310
	Smithsonian Astrophysical Observatory G09-20094X		$38,170
	Smithsonian Astrophysical Observatory GO7-18086A		$22,578

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

Research and Development Cluster		Amount to Subrecipients	Expenditures
	Smithsonian Astrophysical Observatory GO5-16091B		$15
	Smithsonian Astrophysical Observatory SV9-89001		$162,125
	Southwest Research Institute K99081KJ		$25,393
	Space Telescope Science Institute HST-GO-14047.005-A		($17)
	Space Telescope Science Institute HST-GO-13943.007-A		$33,945
	Space Telescope Science Institute HST-GO-14251.004-A		$35,326
	Stone Aereospace/PSC Inc		$11,166
	Stottler Henke Associates, Inc. DIS-MAESTRO2 MSU		$3,460
	Stottler Henke Associates, Inc. DIS-MAESTRO1-STOTTLER-HENKE-MO		$13,155
	Sustainable Bioproducts NSSA		$45,745
	Sustainable Bioproducts NASA STTR		$14,675
	Universities Space Research Association 04555-036		$7,530
	University Corporation For Atmospheric Research SUBAWD001459		$29,858
	University of Alaska UAF 18-0082		$52,004
	University of California, Irvine 2016-3348		$37,792
	University of Colorado Denver 1557527 (PO1001165441)		$140,750
	University of Colorado Denver 1552610 / NNA15BB02A		$72,174
	University of Maryland 3TB432		$16,359
	University of Massachusetts 20-010961 A		$110,609
	University of Minnesota A007438701		$15,263
	University of Washington UWSC8879/BPO13182		$138,555
	Wildlife Conservation Society SERDP110515-217		$17,745
43.008	Education	$24,709	$1,506,293
43.012	Space Technology	$47,285	$657,519
Miscellaneous			
43.RD	Miscellaneous Research and Development		
	California Institute of Technology, JPL 1422120		$176,029
		NATIONAL AERONAUTICS AND SPACE ADMINISTRATION TOTAL	**$9,099,128**
NATIONAL ENDOWMENT FOR THE HUMANITIES			
45.129	Promotion of the Humanities Federal/State Partnership		
	Humanities Montana 18R045		(150)
		NATIONAL ENDOWMENT FOR THE HUMANITIES TOTAL	**($150)**

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

Research and Development Cluster		Amount to Subrecipients	Expenditures
NATIONAL SCIENCE FOUNDATION			
47.041	Engineering Grants	$29,821	$2,017,326
	Case Western Reserve University RES514053		$85,355
	Integrative Economics LLC		$104,643
	Syracuse University 28250-04301-S18		$5,000
	University of Michigan SUBK00011355		$50,737
47.049	Mathematical and Physical Sciences		$1,855,449
	Association of Universities for Research in Astronomy N87463C		$40,990
	S2 Corp S2-1330880-13-03		$1,620
	University Wisconsin-Milwaukee 153405537		$28,520
47.050	Geosciences	$42,839	$2,237,404
	George Washington University 14-S17 (PLR-1304555)		$3,332
	George Washington University 14-S17		$42,610
	Lehigh University/Global Village 543851-78002		$10,324
	University of Colorado - Boulder 1555555 PO 1000879023		$30,107
	University of Colorado 1555338-PO 1000856931		$41,561
	University of Colorado - Denver 1555337/PO#1000855308		$140,174
	University of Hawaii at Manoa MA 1391		$18,272
	University of Kansas FY2018-050		$504
	University of Tennessee A17-0124-S001		$452
	Woods Hole Oceanographic Institute A101357		$8,027
47.070	Computer and Information Science and Engineering	$38,299	$946,969
	University of North Texas GF30041-1		$3,302
47.074	Biological Sciences	$288,079	$5,170,678
	Cary Institute of Ecosystem Studies 3340-200201873		$13,339
	USDA Rocky Mountain Reserach 16-JV-11221633-029		$66,898
	Washington State University 118996_G003357		$109
47.075	Social, Behavioral, and Economic Sciences	$134,136	$750,966
47.076	Education and Human Resources	$34,475	$3,122,099
	Aaniiih Nakoda College MSU-3753		$42,064
	Colorado State University 96702-5		$73,874
	Mathematical Association of America MAA 3-8-710-891		$74,132

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

Research and Development Cluster		Amount to Subrecipients	Expenditures
	Michigan State University RC104101MONTANA		$34,476
	Murray State University MOA No. 2020-075		$9,549
	Salish Kootenai College MSUN-18-1		$750
	Salish Kootenai College SAG-18-UOM-001		$2,100
	University of San Diego		$12
	Washington State University 131202 G004100		$11,687
47.078	Polar Programs	$55,827	$74,500
47.083	Office of Integrative Activities	$1,166,173	$5,669,432
	North Carolina State University 2019-3154-01		$9,959
	South Dakota School of Mines SDSMT-MSU-20-10		$84,111
	South Dakota School of Mines SDSMT-MSU 18-04		$556,344
	Trustees of Dartmouth College R896/R897/1632738		$285,938
	University of Alaska P0539392		$848
	University of Nebraska 25-6222-0984-050		$150,687
		NATIONAL SCIENCE FOUNDATION TOTAL	**$23,877,230**
SOCIAL SECURITY ADMINISTRATION			
96.007	Social Security Research and Demonstration		
	University of Wisconsin-Madison 0000000424		$8,005
	University of Wisconsin-Madison RDR18000001-01		$25,414
		SOCIAL SECURITY ADMINISTRATION TOTAL	**$33,419**
		RESEARCH AND DEVELOPMENT CLUSTER TOTAL	**$155,853,699**
		SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS TOTAL	**$4,994,267,335**

The accompanying notes are an integral part of this schedule.

STATE OF MONTANA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of the state of Montana under programs of the federal government for the fiscal year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (referred to as the “Uniform Guidance”), and where applicable, Office of Management and Budget Circular A-133 requirements.

Because this schedule presents only a selected portion of the operations of the state of Montana, it is not intended to, and does not present, the financial positions, change in net assets, or, where applicable, its cash flows for the fiscal year ended June 30, 2020.

Significant Accounting Policies

Expenditures shown on the Schedule of Expenditures of Federal Awards are reported on the modified accrual basis of accounting, except as noted below. Under the modified accrual basis of accounting, expenditures are generally recorded in the accounting period in which the liability is incurred. However, there are some payments, such as compensated absences, that are only recorded when the payment is due.

Such expenditures are recognized following the cost principles contained in the Uniform Guidance, OMB Circular A-87, or other costs circulars wherein certain types of expenditures are not allowed or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

The Montana University System uses full accrual accounting to report campus federal expenditure activity. The Unemployment Insurance, Section 8 Voucher, and Section 8 Project-Based programs are accounted for as enterprise fund activity. Enterprise funds also use the full accrual basis of accounting. Under the full accrual basis of accounting, expenditures are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Loan and Loan Guarantee Programs (Note 2), Federal Excess Personal Property (Note 7), and the Department of Defense Firefighting Property (Note 8) are presented using the basis of accounting described in each note. The Books for the Blind and Physically

Handicapped Program (Note 9) is not presented on the Schedule of Expenditures of Federal Awards but is provided as additional information regarding the types of donations received by the state as part of this federal program.

The state of Montana did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Coronavirus Relief Fund

The state of Montana expended $685,219,735 in Coronavirus Aid, Relief, and Economic Security Act (CARES Act) funds during fiscal year 2020. Amounts funded under the various CARES Act programs are indicated by a “COVID-19” reference in front of the federal program name on the fiscal year 2020 Schedule of Expenditures of Federal Awards.

A summary of the federal programs that received funding under the CARES Act is shown on the following page:

CFDA #	CARES Act Funding	FY 2020 Expenditures
10.551	Supplemental Nutrition Assistance Program	$22,609,431
10.553	School Breakfast Program	$805,929
10.555	National School Lunch Program	$1,959,640
10.556	Special Milk Program for Children	$206
10.558	Child and Adult Care Food Program	$3,205,405
10.559	Summer Food Service Program for Children	$10,563,625
10.569	Emergency Food Assistance Program (Food Commodities)	$314,196
14.231	Emergency Solutions Grant Program	$100,715
14.241	Housing Opportunities for Persons with AIDS	$31,894
16.034	Coronavirus Emergency Supplemental Funding Program	$52,143
17.225	Unemployment Insurance	$499,740,638
20.106	Airport Improvement Program	$212,432
20.509	Formula Grants for Rural Areas	$5,784,009
21.019	Coronavirus Relief Fund	$93,151,036
59.037	Small Business Development Centers	$23,552
84.007	Federal Supplemental Educational Opportunity Grants	$75,560
84.425	Education Stabilization Fund	$12,191,090
93.042	Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	$10,820
93.044	Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	$300,463
93.045	Special Programs for the Aging, Title III, Part C, Nutrition Services	$1,786,293
93.048	Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	$304,000
93.052	National Family Caregiver Support, Title III, Part E	$141,846
93.268	Immunization Cooperative Agreements	$523
93.301	Small Rural Hospital Improvement Grant Program	$2,849,939
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	$4,909,222
93.354	Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	$2,604,568
93.498	Provider Relief Fund	$934,894
93.568	Low-Income Home Energy Assistance	$3,571,621
93.569	Community Services Block Grant	$35,386
93.575	Child Care and Development Block Grant	$6,682,283
93.636	ACA - Reinvestment of Civil Money Penalties to Benefit Nursing Home Residents	$49,256
93.889	National Bioterrorism Hospital Preparedness Program	$619
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	$10,216,501
	Total CARES Act Funding	**$685,219,735**

The state received $3,121,023 in supplies and equipment under CFDA #97.036, Disaster Grants - Public Assistance (Presidentially Declared Disasters) which is shown on the Schedule of Expenditures of Federal Awards. Of this amount, $576,228 was received from the Strategic National Stockpile and $691,191 was donated hand sanitizer, swabs, and cloth face masks from the Federal Emergency Management Agency.

Families First Coronavirus Response Act

Section 6008 of the Families First Coronavirus Response Act provided a temporary 6.2 percentage point increase to each qualifying state and territory's Federal Medical Assistance Percentage (FMAP) under section 1905(b) of the Social Security Act. In fiscal year 2020, the state paid an additional $36,762,371 for the Medical Assistance Program (CFDA #93.778), and an additional $2,137,212 for the Children's Health Insurance program (CFDA #93.767), as a result of this FMAP increase.

Food Distribution Program

The amount reported for Food Distribution programs (CFDA #10.555, #10.565, #10.567, #10.569, and #93.053) represents the dollar value of food commodities distributed to eligible recipients during the year. The U.S. Department of Agriculture provides the current value of the commodities used by the state to compute the amount reported. The amount of funds received to administer the program is also included in the reported amount. Montana also distributes food commodities to other states in the western region of the United States. During fiscal year 2020, Montana distributed $1,202,826 of food commodities under CFDA #10.567 to other states.

The state of Montana distributed $12,212,219 in commodities in fiscal year 2020. The June 30, 2020 value of commodities stored at the state's warehouse is $4,749,696, for which the state is liable in the event of loss. The state has insurance to cover this liability.

Minority Health and Health Disparities Research

The amount reported for the Minority Health and Health Disparities Research Program (CFDA #93.307) includes endowment funds of $9,375,000, along with interest earned on the endowment. The entire endowment amount is reported as expended each year, as the funds are restricted for the life of the endowment.

Immunization Cooperative Agreements

The amount reported for the Immunization Cooperative Agreements (CFDA #93.268) includes the dollar value of vaccine doses received during fiscal year 2020. The state used the Centers for Disease Control's price list to calculate the value of doses received. During fiscal year 2020, Montana received 185,060 vaccine doses valued at $10,501,107.

Note 2. Loan and Loan Guarantee Programs

The following loan and loan guarantee programs are reported on the Schedule of Expenditures of Federal Awards at their July 1, 2019 beginning loan balance plus the amount of any interest subsidy, cash, or administrative cost allowance received during fiscal year 2020:

CFDA#	Federal Loan/Loan Guarantee Program State Revolving Loans	FY 2020 Ending Balance
66.458	Capitalization Grants for Clean Water State Revolving Funds	$ 303,244,326
66.468	Capitalization Grants for Drinking Water State Revolving Funds	$ 172,607,800
	Total State Revolving Loan Programs	**$ 475,852,126**

CFDA#	Federal Loan/Loan Guarantee Program Student Financial Assistance	FY 2020 Ending Balance
	University Loans	
84.038	Federal Perkins Loan Program_Federal Capital Contributions	$23,537,043
93.264	Nurse Faculty Loan Program (NFLP)	$6,063
93.342	Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	$251,002
93.364	Nursing Student Loans	$2,435,380
	Total Student Financial Assistance Programs	**$26,229,488**

Perkins Loan Programs

Under the Perkins Loan Extension Act of 2015, universities participating in this program are no longer permitted to make Perkins Loan disbursements after June 30, 2018. Institutions may choose to continue servicing their existing Perkins Loans until such time the institution's outstanding loans have been paid in full or otherwise retired. Both Montana State University and the University of Montana have chosen to continue to service their current loans.

Economic Adjustment Assistance Program

The Economic Adjustment Assistance Program (CFDA #11.307) consists of two separate awards, which are reported on the Schedule of Expenditures of Federal Awards at the June 30, 2020 ending loan balances.

The amount of loans outstanding as of June 30, 2020 is $312,521 for award number 05-19-02445 and $3,006,744 for award number 05-79-73005. The calculation for each of these loan balances is as follows:

Award Number: 05-19-02445		
State Name = EDA Revolving Loan		
Federal Grantor = US Department of Commerce		
Federal Program Name = Title IX SSED Revolving Loan Fund		
Federal Catalog Number = 11.307		
RLF Loan Balance FYE 2020		$ 293,074
Cash & Investments FYE 2020		$ 147,097
FY 2020 Admin paid out of RLF Income		$ -
Unpaid Principal of loans written of during FY		$ -
		$ 440,171
Federal Percentage		71%
Federal Share of Revolving Loan Fund		**$ 312,521**

Award Number: 05-79-73005		
State Name = EDA Revolving Loan		
Federal Grantor = US Department of Commerce		
Federal Program Name = Economic Adjustment Assistance		
Federal Catalog Number = 11.307		
RLF Loan Balance FYE 2020		$ 5,885,488
Cash & Investments FYE 2020		$ 98,076
FY 2020 Admin paid out of RLF Income		$ 29,923
Unpaid Principal of loans written of during FY		$ -
		$ 6,013,487
Federal Percentage		50%
Federal Share of Revolving Loan Fund		**$ 3,006,744**

<u>Other Federal Loans</u>

The following loans, originally funded through federal programs, do not have any continuing federal compliance requirements imposed on the state, other than the loan repayments. These loans are not reported on the Schedule of Expenditures of Federal Awards:

Tongue River –Northern Cheyenne Tribal Loan

The Northern Cheyenne Tribe and the Department of Natural Resources and Conservation entered into an agreement on July 1, 1994 in which the tribe agreed to loan the state of Montana $11,300,000 of federal funds appropriated as part of the Northern Cheyenne Indian Reserved Water Rights Settlement. The loan is to assist the state in financing costs of the Tongue River Dam project. No expenditures of tribal loan funds were incurred on project costs during fiscal year 2020. The amount of the loan outstanding as of June 30, 2020 is $5,215,385.

Middle Creek Dam Rehabilitation Project Loan

The Department of Natural Resources and Conservation and the U.S Department of the Interior, Bureau of Reclamation (BOR), entered into an agreement on September 21, 1990. The BOR agreed to loan the state of Montana "…a sum of money not to exceed the lesser of (1) $3,023,925 plus reimbursable interest during construction, or (2) the actual cost of the project, including reimbursable interest during construction..." The total loan repayable is $2,990,129, and reimbursable interest during construction is $281,857. As of June 30, 2020, the loan outstanding is $1,691,794, and reimbursable interest during construction is $162,581.

Note 3. Type A Federal Programs

The state of Montana issues a biennial single audit report. The Montana Single Audit report for the two fiscal years ended June 30, 2021 will be issued by March 31, 2022.

The Type A program threshold will be determined based on actual expenditures incurred during the two fiscal years ended June 30, 2021.

Note 4. CFDA Number

The CFDA number assigned for each federal program listed in the Schedule of Expenditures of Federal Awards is based upon agency agreements with the federal government and the Catalog of Federal Domestic Assistance in effect during the audit period.

The complete CFDA number is a five-digit number, where the first two digits represent the federal agency and the second three digits represent the program. Programs not assigned a CFDA number in the Catalog of Federal Domestic Assistance were assigned a CFDA number in the format **.UXX or **. RD. Also refer to Note 13.

Note 5. Program Clusters

As defined by 2 CFR section 200.17, a cluster of programs is a grouping of closely related programs that share common compliance requirements. Except for the Student Financial Assistance Cluster, clusters of programs are presented on the Schedule of Expenditures of Federal Awards either within their respective federal agency (for non-research and development programs) or by federal agency and major subdivision (for research and development programs.

Student Financial Assistance Cluster

Amounts reported for the Student Financial Assistance Cluster include programs administered by both the Department of Education and the Department of Health and Human Services. These clusters are shown separately, within their respective federal agencies, on the Schedule of Expenditures of Federal Awards.

The combined Student Financial Assistance Cluster includes the following programs:

CFDA #	Student Financial Assistance Cluster	FY 20 Expenditures
84.007	Federal Supplemental Educational Opportunity Grants	$1,638,881
84.033	Federal Work-Study Program	$1,914,835
84.038	Federal Perkins Loan Program_Federal Capital Contributions	$28,249,249
84.063	Federal Pell Grant Program	$40,941,532
84.268	Federal Direct Student Loans	$155,770,460
84.379	Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	$5,838
93.264	Nurse Faculty Loan Program (NFLP)	$8,630
93.342	Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	$320,347
93.364	Nursing Student Loans	$2,925,738
	Total Student Financial Assistance Cluster	**$231,775,510**

Note 6. Research and Development Grants

Research and Development includes all research activities, both basic and applied, and all development activities that are performed by a non-federal entity. Research is defined as a systematic study directed toward fuller scientific knowledge or understanding of the subject studied. The term research also includes activities involving the training of individuals in research techniques, where such activities utilize the same facilities as other research and development activities, and where such activities are not included in the instruction function.

Development is the systematic use of knowledge and understanding gained from research directed toward the production of useful materials, devices, systems, or

methods, including design and development of prototypes and processes. Federal awards that meet the research and development criteria are listed in the Research and Development Cluster.

Note 7. Federal Excess Personal Property

The state of Montana receives Federal Excess Personal Property (FEPP). The title to this property remains with the federal agency. In accordance with General Services Administration guidelines, the amounts are presented at fair market value at the time of receipt by the state, which is determined to be 23.34% of the original acquisition cost of the property.

Property received under CFDA #81.UXX, Miscellaneous Non-major Grants, is shown at its fair market value at the time of receipt.

The following is a list of the FEPP received by the state of Montana during fiscal year 2020. The negative amount reflects property sold (title transferred at public sale) or other disposition.

CFDA #	Program	FY 20 Amount	FY 20 Ending Inventory
10.203	Payments to Agricultural Experiment Stations Under the Hatch Act	$0	$124,578
10.500	Cooperative Extension Service	$0	$3,157
10.664	Cooperative Forestry Assistance	($165,984)	$4,487,536
10.UXX	Miscellaneous – Non-major Grants	$0	$136,426
15.UXX	Miscellaneous – Non-major Grants	$0	$3,553
39.003	Donation of Federal Surplus Personal Property	$84,100	$193,804
81.UXX	Miscellaneous – Non-major Grants	($2,235)	$2,370
43.UXX	Miscellaneous – Non-major Grants	$0	$665,190
47.UXX	Miscellaneous – Non-major Grants	($1,254)	$122,614

Note 8. Department of Defense Firefighting Property

The Department of Natural Resources and Conservation (DNRC) receives Department of Defense Firefighting Property (FFP). The title to this property is transferred to the DNRC. In accordance with General Services Administration guidelines, the amounts are presented at fair market value at the time of receipt by DNRC, which is determined to be 23.34% of the original acquisition cost of the property. The following is the value of FFP received by the state of Montana during fiscal year 2020:

CFDA #	Program	FY 20 Amount	FY 20 Ending Inventory
12.UXX	Miscellaneous – Non-major Grants	$66,811	$3,220,138

Note 9. Books for the Blind and Physically Handicapped

The Montana State Library receives “talking book” machines, cassette books, accessories, and magazines from the federal government under the Books for the Blind and Physically Handicapped Program (CFDA #42.001). These items are then distributed to provide library services to blind and physically handicapped individuals. The federal government retains title to these items. The approximate value of the items in inventory (not distributed to individuals) at June 30, 2020 was $917,764.

Since this program is considered a federal “use of equipment” agreement, the accompanying Schedule of Expenditures of Federal Awards does not include this amount.

Note 10. Unemployment Benefits

The unemployment compensation system is a federal-state partnership. State unemployment insurance laws must conform to certain provisions of the federal law. Federal funds are expended for administrative costs. State unemployment taxes must be deposited into a state account in the Federal Unemployment Trust Fund and are used only to pay benefits. State Unemployment Insurance (UI) funds, as well as federal funds, are included on the Schedule of Expenditures of Federal Awards.

The following schedule provides a breakdown of the state and federal portions of the total expenditures recorded for the Unemployment Insurance Program (CFDA #17.225).

State UI Expenditures	$ 265,690,764
Federal UI Expenditures	494,103,546
Total	$ 759,794,310

Note 11. Subgrants to State Agencies

Federal assistance transferred from one Montana state agency to another Montana state agency is shown only once on the Schedule of Expenditures of Federal Awards.

Federal assistance received from non-state sources, which are considered subgrants by the awarding agency, are treated as pass-through grants to the state. These pass-through awards are listed below the direct federal awards reported on the Schedule of Expenditures of Federal Awards. Pass-through grant numbers are included for those awards that were assigned an identifying number.

Note 12. Subgrants to Non-State Agencies

Federal assistance transferred from a Montana state agency or university to a non-state agency, such as a city, county, tribal government, or nonprofit organization, is identified in the Amount to Subrecipients column shown in the Schedule of Expenditures of Federal Awards. These amounts are included in the expenditure totals shown on the report.

The Amounts to Subrecipients includes federal assistance transferred from a Montana state agency or university that was originally received as a subgrant from another Montana state agency or university. These amounts are not included in the expenditure totals shown on the report, since the original award is only shown once on the Schedule of Expenditures of Federal Awards, as described in Note 11 above.

A summary of amounts that were subgranted to a non-state agency, such as a city, county, tribal government, or nonprofit organization, which were made from awards originally received from another Montana state agency or university, is shown below:

CFDA #	Federal Program	Amount to Subrecipients
Non Research and Development		
16.833	National Sexual Assault Kit Initiative	$100,202
21.019	Coronavirus Relief Fund	$79,527,728
84.048	Career and Technical Education -- Basic Grants to States	$2,798,047
84.419	Preschool Development Grants	$86,953
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	$38,449
93.262	Occupational Safety and Health Program	$14,581
	Total - Non Research and Development	**$82,565,960**
Research and Development Cluster		
20.205	Highway Planning and Construction	$12,000
93.778	Medical Assistance Program	$155,430
	Total Research and Development Cluster	**$167,430**

Note 13. Federal Awards Not Having a CFDA Number

The following schedules contain contract or grant numbers associated with awards that did not have a CFDA number and were assigned either a **.UXX or **.RD number in the Schedule of Expenditures of Federal Awards. Not all **.UXX or **.RD awards reported on the SEFA had a grant or contract number. Also refer to Note 4.

*Schedule of Unknown Federal CFDA Numbers (**.UXX)*

Federal Agency		*State Agency*	*Contract or Grant Number*	*Amount*
DEPARTMENT OF AGRICULTURE				
	10.U01	Montana State University - Bozeman	Unknown	$986
	10.U02	Department of Natural Resources and Conservation	15-FI-11010200-001	$322
	10.U03		16-FI-11010200-019	$1,392
	10.U04		16-FI-11011100-057	$1,789
	10.U05		16-FI-11011100-060	$29,708
	10.U06		16-FI-11011500-026	$744
	10.U07		17-FI-11011600-013	$2,820
	10.U08		17-FI-11015200-003	$24,110
	10.U09		18-FI-11011600-026	$3,580
	10.U10		18-FI-11015200-008	$9,896
	10.U11		18-FP-11011500-017	$15,465
	10.U12		DNRC-BLM-18-001	$1,445
DEPARTMENT OF DEFENSE				
	12.U01	University of Montana - Missoula	1900163	$78,510
	12.U02		W9128F-17-2-0028	$172,108
	12.U03	Department of Fish, Wildlife and Parks	19-102P	$170,654
	12.U04		19-85P	$1,187,025
	12.U05		20-105P	$458,487
	12.U06		20-144P	$61,193
	12.U07		W9128F-15-D-0015	$202,951
	12.U08		W9128F-20-D-0025	$145,270
	12.U09		W912DW-15-2-0001-0005	$337,449
	12.U10		W912DW-20-2-0001	$44,014
	12.U11	Department of Natural Resources and Conservation	Unknown	$66,811
DEPARTMENT OF EDUCATION				
	84.U01	Office of Public Instruction	Contract # ED-IES-14-C-0086	$113,496
DEPARTMENT OF ENERGY				
	81.U01	Department of Fish, Wildlife and Parks	19-36G	$60,551
	81.U02		20-18G	$58,624
	81.U03		00-UGPR-34	$222,717
	81.U04	Department of Natural Resources and Conservation	Unknown	$42,830
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
	93.U01	Department of Public Health and Human Services	Unknown	$163,827
DEPARTMENT OF THE INTERIOR				
	15.U01	Department of Fish, Wildlife and Parks	140G0219P0131	$54,684
DEPARTMENT OF TREASURY				
	21.U01	Department of Administration	Unknown	$5,992
LIBRARY OF CONGRESS				
	42.U01	Montana Historical Society	Unknown	$5,300

Schedule of Unknown Federal CFDA Numbers for Research and Development Awards (XX.RD)

Federal Agency		*State Agency*	*Contract or Grant Number*	*Amount*
DEPARTMENT OF AGRICULTURE				
	10.RD	Montana State University - Bozeman	A17-0837-S001	$24,004
			078863-16983	$50,523
			14-CS-11011100-026	$7
			15-CS-11021400-031	$12,831
			16-JV-11221639-136	$6,085
			17-CS-11010200-019	$5,929
			17-CS-11011100-012	$7,300
			17-CS-11015600-056	$576
			17-JV-11221636-068	$16,388
			18-CS-11011800-017	$13,837
			58-2056-5-002	$13,354
			59-0206-5-002	$9,624
			59-0206-5-003	$12,138
			59-0206-5-004	$7,993
			AG-3151-C-17-0012	$100,698
			MSU-ARF ORBC MOU	$12,608
		University of Montana - Montana Tech	09-CS-11010800-018	-$1
DEPARTMENT OF DEFENSE				
	12.RD	University of Montana - Missoula	SC1812501	$132,680
			N62473-19-2-0005	$72,586
			W911KB-19-2-1500	$492,429
			W911KB-19-2-1501	$1,944
			W9126G-19-2-0035	$9,916
			W9126G-20-2-0016	$681
			W9128F20P0030	$2,510
			W912G-19-2-0007	$510,676
		Montana State University - Bozeman	313-0873	$59,386
			SUBCONTRACT NUMBER 313-0742	$134,729
			SUBK-MSU-VDHWFS2-01-012720	$39,288
			SUBK-MSU-NLAO-01-100518	$948
			S2-1025-19-01	$196,821
			SB1911-001-1	$30,191
			ARM212-MSU/ PO# EP0166321	$9,649
			31236-Z8409102	$4,989
			FA701418C5000	$332,581
			FA701418C5004	$326,511
			M67854-18-3-1330	$2,061,223
			W912HZ-18-2-0010	$19,348
DEPARTMENT OF ENERGY				
	81.RD	University of Montana - Montana Tech	230444	$5,291
			223911	$6,000
			2151826	$26,456
			1663302	$26,224
			1922244	$45,340
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
	93.RD	University of Montana - Missoula	GENFD0001583403	$758,671
			7273 POPS V	$7,624
			75N93019C0045	$1,036,127
			HHSN272201400050C	$1,802,944
			HHSN272201800048C	$2,369,073
		Montana State University - Bozeman	18BBSK0053 (HHSN26100014)	$20,092
			75N91019P00691	$63,295
		Department of Public Health and Human Services	Unknown	$142,861
DEPARTMENT OF HOMELAND SECURITY				
	97.RD	Montana State University - Bozeman	70RSAT19TPIA00001	$1,527,489
DEPARTMENT OF THE INTERIOR				
	15.RD	University of Montana - Missoula	L0212A-A	$201,721
			L0205A-A	$209,286
			50002.001	$196,575
			100130	$46,745
			100145	$38,228

Schedule of Unknown Federal CFDA Numbers for Research and Development Awards (XX.RD)

Federal Agency		*State Agency*	*Contract or Grant Number*	*Amount*
			100006	$224,518
			33172.002	$3,797
			140B0619F0343	$11,311
			140F0619C0021	$10,067
			140F0619P0068	$22,321
			140F0619P0069	$14,743
			140L0618F0380	$291,593
			140L0619F0248	$4,869
			140L0619F0249	$64
			140L0619F0291	$643
			140L0619F0292	$1,965
			140L0619F0301	$41,635
			140L0619F0302	$8,026
			140L0619F0359	$58,164
			140L1018P0018	$1
			140L619F0285	$33,994
			140L619F0342	$1,803
			G15PC00055	$16,117
		Montana State University - Bozeman	G19AC00047	$40,760
			68-0325-15-005	$95,724
		University of Montana - Montana Tech	H1580070001	-$23,395
ENVIRONMENTAL PROTECTION AGENCY				
	66.RD	University of Montana - Montana Tech	MONTT-19-001	$4,047
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION				
	43.RD	University of Montana - Missoula	1422120	$176,029

State of Montana

MONTANA DEPARTMENT OF ADMINISTRATION

State Financial Services Division
Greg Gianforte, Governor
Misty Ann Giles, Director

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LEGISLATIVE AUDIT DIV.

February 3, 2021

Angus Maciver, Legislative Auditor
Legislative Audit Division
State Capitol, Room 160
PO Box 201075
Helena, MT 59620-1705

RE: Financial Audit 20-01A, State of Montana, for the year ended June 30, 2020

Dear Mr. Maciver:

The Department of Administration would like to thank the Legislative Audit Division for auditing the State financial statements for the year ended June 30, 2020. We appreciate your staff and the professionalism demonstrated during the audit process.

The Department of Administration's response to the items reported under the Compliance of Other Matters, is as follows:

The Public Employee's Retirement Board (PERB) and the Montana Public Employee Retirement Administration (MPERA) have taken actions to address the material violations of finance-related legal provisions, resulting from the retirement systems that are not actuarially funded, as required by the State Constitution. PERB has a policy to recommend funding increases when plans do not amortize within 30 years. Specifically, PERB is to recommend funding changes to address financial stability if PERB cannot reasonably anticipate the amortization period would decline without changes being made by Montana Legislature.

Again, we thank you for your assistance this financial reporting period. We look forward to working with your division during future audit processes.

Sincerely,

Misty Ann Giles, Director

OFFICE OF THE GOVERNOR
BUDGET AND PROGRAM PLANNING
STATE OF MONTANA

GREG GIANFORTE
GOVERNOR

PO BOX 200802
HELENA, MONTANA 59620-0802

February 4, 2021

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LEGISLATIVE AUDIT DIV.

Mr. Angus Maciver
Legislative Auditor
Legislative Audit Division
Room 160, State Capitol
Helena, MT 59620-1705

RE: State of Montana Financial Audit (#20-01A)

Dear Mr. Maciver:

The Office of Budget and Program Planning has reviewed the State of Montana Financial Audit for the fiscal year ended June 30, 2020. Our office is pleased with your issuance of an unmodified opinion on our Schedule of Expenditures of Federal Awards, in relation to the financial statements as a whole, presented in this report.

Sincerely,

Kurt Alme
Budget Director

cc: Sonia Powell, Single Audit Coordinator

MONTANA DPHHS
Healthy People. Healthy Communities.
Department of Public Health & Human Services

Department of Public Health and Human Services

Director's Office ♦ PO Box 4210 ♦ Helena, MT 59620 ♦ (406) 444-5622 ♦ Fax: (406) 444-1970
https://dphhs.mt.gov

Greg Gianforte, Governor

Adam Meier, Director

February 15, 2021

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LEGISLATIVE AUDIT DIV.

Angus Maciver, Legislative Auditor
Legislative Audit Division
Room 160, State Capitol
PO Box 201075
Helena, MT 59620-1705

RE: Financial Audit 20-01A

Dear Mr. Maciver:

The Department of Public Health and Human Services has reviewed the State of Montana Financial Audit for the fiscal year ended June 30, 2020.

The Department of Public Health and Human Services' response to the items reported on Internal Control and Compliance is as follows:

The department continues to strengthen internal controls related to the Medicaid program. While the audit did not specifically find an issue that resulted in incorrect FMAP, the department recognizes the potential risk and the importance of working tasks in a timely manner. To address this risk the department is implementing two additional internal controls:

- The department will provide additional training and communication for staff to help them effectively redetermined eligibility for individuals receiving Medicaid and prioritize critical tasks.
- The department will consistently run a new report specific to the recalculation of premiums to help ensure timely and accurate redetermination of benefits for the Medicaid program.

In addition, to the specific internal controls mentioned above, we will also look at additional enhancements to technology and operations that minimize the likelihood of future similar occurrences.

We thank you for you work on this audit, and appreciate the opportunity to add further comment on the audit findings.

Sincerely,

Adam Meier

Adam Meier,
Director, DPHHS